

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1362219-0

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Unclas

8/3/82

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Director, FBI

1 -

SACs, Alexandria (58-NEW)
Seattle

THOMAS K. JONES,
DEPUTY UNDER SECRETARY OF DEFENSE;
MELVIN R. PAISLEY, ASSISTANT
SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
CONFLICT OF INTEREST - DOD
OO: ALEXANDRIA

Enclosed for Alexandria and Seattle are two copies of
a DOJ referral letter dated 7/19/82, and related correspondence.

Captioned subjects were employees of Boeing Aerospace
Company, Seattle, Washington, immediately prior to assuming
their present positions with the Department of Defense. An
audit of Boeing's records by the Defense Contract Audit Agency
indicates that the three subjects have received \$395,000 for
"terminal pay." This matter was referred to the Department
of Justice in that the payments may have been in violation of
Title 18, U. S. Code, Section 209 (Salary of Government Officials
and Employees Payable Only by United States).

On 7/30/82, this matter was discussed by SSA
 Governmental Fraud Unit, FBIHQ, with Departmental
Attorney of the Public Integrity Section,
FTS .

advised that the intent of the subjects when
the agreements were signed must be determined. Simultaneous
interviews of the three subjects and Boeing's Chairman of the
Board were deemed essential. Alexandria should note that the
Defense Criminal Investigative Service is available to assist
and could be used to good advantage.

12 AUG 9 1982

Alexandria should have the case Agent contact
prior to instituting investigation to insure the course of
action is mutually agreeable.

Enclosures - 2

JFD:rim

Exec AD Adm. _____
Exec AD Inv. _____
Exec AD LES _____
Asst. Dir.:
Adm. Servs. _____
Crim. Inv. _____
Ident. _____
Insp. _____
Intell. _____
Lab. _____
Legal Coun. _____
Off. Cong. &
Public Affs. _____
Rec. Mgnt. _____
Tech. Servs. _____
Training _____
Telephone Rm. _____
Director's Sec'y _____

MAIL ROOM ☐

MAILED 14

AUG 04 1982

FBI

Buairtel to AX and SE
RE: THOMAS K. JONES

Seattle should await instructions from Alexandria prior to conducting any investigation. This matter should be given priority attention in view of the positions occupied by the subjects. Reporting requirements as set forth in the MIOG, Section 58, should be strictly followed.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/18/82

TO: DIRECTOR, FBI
 FROM: SAC, ALEXANDRIA (58-264) (P)
 THOMAS K. JONES,
 DEPUTY UNDERSECRETARY OF DEFENSE;
 MELVIN R. PAISLEY,
 ASSISTANT SECRETARY OF THE NAVY;
 HERBERT A. REYNOLDS,
 OFFICE OF THE SECRETARY OF DEFENSE
 CONFLICT OF INTEREST - DOD
 00:AX

Re Bureau airtel to Alexandria, 8/3/82; and Alexandria teletype to Seattle, 9/7/82.

Enclosed for the Bureau are the original and two copies of an self-explanatory LHM. Enclosed for Seattle are two copies of instant LHM.

②-Bureau (Enc 3)
 1-Seattle (58-315) (Info) (Enc.
 1-Alexandria
 PMS:srt
 (4)

OCT 19 1982

b6
 b7C

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 9/7/82

FM ALEXANDRIA (58-264) (P)

TO SEATTLE ROUTINE

BT

UNCLAS

THOMAS K. JONES, ET AL; COI, (OO:ALEXANDRIA)

RE ALEXANDRIA TELETYPE TO SEATTLE, AUGUST ^{VA}26, 1982; SEATTLE
 FACSIMILE TO ALEXANDRIA DATED AUGUST 31, 1982; AND ALEXANDRIA
 TELEPHONE CALL TO SEATTLE DATED SEPTEMBER 1, 1982.

REFERENCED TELETYPE ADVISED SEATTLE THAT DOJ ATTORNEY

REQUESTED SIMULTANEOUS COMPREHENSIVE INTERVIEWS
 OF BOEING EMPLOYEES, AS WELL AS THE THREE SUBJECTS AT THE PENTAGON.

ADVISED THAT A MAJOR POINT THAT NEEDED TO BE DETERMINED IN
 THE INTERVIEWS, IS THE INTENT OF THE PARTIES INVOLVED WHEN THE
 TERMINATION OR SUPPLEMENTAL PAY WAS OFFERED. IF THERE WAS ANY
 INDICATION OR UNDERSTANDING, WHETHER WRITTEN OR ORAL, THAT THE
 SUBJECTS WOULD RETURN TO EMPLOYMENT AT BOEING UPON COMPLETION OF
 GOVERNMENT SERVICE, ALL DETAILS SHOULD BE OBTAINED.

①-Bureau (Mail Copy)
 1-Alexandria (58-264)
 PMS:sfk
 (2)

OK
 4

58-11035-

NOT RECORDED

17 SEP 8 1982

Approved: WCH
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Transmitted _____

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(Time)

Per SPKb6
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FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

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☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE TWO AX 58-264 UNCLAS

ALEXANDRIA WILL ATTEMPT TO CONTACT THE THREE SUBJECTS ON SEPTEMBER 13, 1982, AT 7:00 P.M., EASTERN STANDARD TIME. SEATTLE SHOULD CONDUCT INTERVIEWS ON SEPTEMBER 13, 1982, OF THE FOLLOWING INDIVIDUALS AT 4:00 P.M, PACIFIC STANDARD TIME:

1) _____ OF BOEING AEROSPACE.

_____ ADVISED THAT _____ MADE THE DECISION AS TO WHO WOULD RECEIVE TERMINATION PAY.

2) _____

_____ STATED THAT HE THOUGHT _____ REVIEWED THE PROPOSAL AND MADE RECOMMENDATIONS TO _____

3) _____

ADVISED THAT HE THOUGHT _____ WOULD HAVE PREPARED THE DOLLAR AMOUNT FOR THE TERMINATION PAY.

4) _____

AUTHORED THE MEMO SEATTLE FACSIMILED TO ALEXANDRIA EXPLAINING THE TERMINAL PAY PROCEDURES.

5) _____ NO NAME

OF THE INDIVIDUAL WAS GIVEN; HOWEVER, THIS INDIVIDUAL WAS LISTED IN THE PROCEDURE SECTION OF INTERNAL OPERATING PROCEDURE MEMO ON TERMINAL PAY FACSIMILED TO ALEXANDRIA.

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Approved: _____ Transmitted _____ (Number) (Time) Per _____

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE THREE AX 58-264 UNCLAS

6) VICE PRESIDENT - CONTRACTS AND LEGAL COUNSEL. NO NAME OF THE INDIVIDUAL WAS GIVEN AND HE WAS MENTIONED IN THE FACSIMILED MEMO ON INTERNAL OPERATING PROCEDURE IN THE PROCEDURE SECTION.

FOLLOWING IS A LIST OF QUESTIONS TO BE COVERED IN THE ABOVE INTERVIEWS:

1) DETERMINE THE INTENT OF THE TERMINATION OR SUPPLEMENTAL PAY. WAS IT FOR PAST SERVICES OR TO SUPPLEMENT THEIR GOVERNMENT SALARY?

2) WHAT CONVERSATIONS TOOK PLACE (AND BETWEEN WHOM) REGARDING THE DECISION TO GIVE SUPPLEMENTAL PAY? WHO FIRST SUGGESTED THE IDEA AND HOW DID IT DEVELOP FOR THESE INDIVIDUALS?

3) WAS THERE ANY AGREEMENT OR UNDERSTANDING, WRITTEN OR ORAL (FORMAL OR INFORMAL) ABOUT THEIR RETURN TO THE COMPANY UPON COMPLETION OF GOVERNMENT SERVICES? GET DETAILS AS TO WHO WAS PRESENT, WHEN, ETC., OR ANY DOCUMENTS.

4) WHAT WAS THE AGREEMENT WITH THE MEN WHEN THEY LEFT?

5) HOW WAS THE SUPPLEMENTAL PAY COMPUTED AND BY WHOM?

6) WHY WAS FOUR YEARS USED AS A BASE~~X~~ IN THE CALCULATIONS?

7) WHO MAKES THE DECISION AS TO WHO RECEIVES TERMINATION PAY AND HOW MUCH?

Approved: _____

Transmitted _____

(Number)

(Time)

Per _____

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE FOUR AX 58-264 UNCLAS

8) WHAT TYPE OF AUTHORITY DO THEY NEED (DOES IT NEED TO BE APPROVED BY THE BOARD OF DIRECTORS)?

9) WHAT TYPE OF CONTRACT OR EMPLOYMENT AGREEMENT DID THESE PEOPLE HAVE WHEN THEY WERE HIRED?

10) WHAT IS BOEING'S POLICY ABOUT REHIRING THESE PEOPLE? ABOUT REHIRING RETIREES?

11) WHAT WERE THE SUBJECTS' DUTIES WHILE BOEING EMPLOYEES?

12) WHO IS DOING THEIR JOB NOW? ARE THEY TEMPORARY OR PERMANENT IN THOSE POSITIONS?

13) HAS BOEING MADE THESE TERMINATION PAYMENTS IN THE PAST? TO WHOM? HOW MUCH? WHERE ARE THEY NOW?

14) ARE THERE ANY DOCUMENTS CONCERNING THE TERMINATION PAY POLICY IN GENERAL? ANY DOCUMENTS ON THE THREE SUBJECTS? CAN WE HAVE COPIES OF ANY AND/OR ALL?

15) ARE THERE ANY OTHER FINANCIAL AGREEMENTS OR ARRANGEMENTS WITH THESE PEOPLE? ARE THEY CONSULTANTS FOR THEM?

16) ARE THERE ANY COMMON BUSINESS VENTURES BETWEEN THEM?

17) HAVE THEY HAD ANY DEALINGS WITH THESE PEOPLE OR BOEING BUSINESS SINCE THEY LEFT THE COMPANY? IF SO, WHERE, WHEN, WHY AND WHO WAS PRESENT?

Approved: _____

Transmitted _____

(Number)

(Time)

Per _____

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE FIVE AX 58-264 UNCLAS

18) HAVE THEY HAD ANY CONTACT AT ALL WITH THESE PEOPLE SINCE
THEY LEFT BOEING? GET FULL DETAILS.

19) WHO DO THEY NORMALLY DEAL WITH IN THE GOVERNMENT?

20) WERE YOU INVOLVED IN ANY WAY IN OBTAINING GOVERNMENT
EMPLOYMENT FOR THESE MEN?

MAIL COPY FURNISHED BUREAU.

BT

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____



UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

Alexandria, Virginia

October 18, 1982

In Reply, Please Refer to
File No.

THOMAS K. JONES,
DEPUTY UNDER SECRETARY OF DEFENSE;
MELVIN R. PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
CONFLICT OF INTEREST -
DEPARTMENT OF DEFENSE

The Defense Contract Audit Agency (DCAA) during a routine audit of overhead expenses found that former employees, Thomas K. Jones, Melvin R. Paisley and Herbert A. Reynolds, received \$395,000 in termination pay from Boeing Aerospace. According to Boeing documents, this sum was paid to the three former employees to reimburse them for:

1. Four years loss of salary because of difference between Boeing salary and government salary - \$285,000.
2. Forfeiture of company contributions into investment plans for four years - \$64,000.
3. Estimated difference between government reimbursed and actual costs to relocate to Washington, D.C. - \$19,000.
4. Estimated differential and cost of living between Seattle and Washington, D.C. for four years - \$54,000.

This document contains neither
recommendations nor conclusions of
the FBI. It is the property of
the FBI and is loaned to your agency;
it and its contents are not to be
distributed outside your agency.

58-11035-3
ENCLOSURE

THOMAS K. JONES;
MELVIN R. PAISLEY;
HERBERT A. REYNOLDS;

Department of Justice (DOJ) Attorney [REDACTED] advised that Title 18, Section 209 of the United States Code prohibits any contribution to or supplementation of salary as compensation for services as an officer or employee of the executive branch of the United States Government. Title 18, Section 208 of the United States Code prohibits government employees from personally and substantially transacting official business with companies with which they, members of their families, business associates or prospective employees, have a pecuniary interest.

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On September 13, 1982, agents of the Federal Bureau of Investigation attempted to conduct simultaneous interviews of the subjects and Boeing employees. The results of the interviews will be evaluated by DOJ Attorney [REDACTED] and Bureau agents.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 11/16/82

TO: DIRECTOR, FBI

FROM: SAC, ALEXANDRIA (58-264) (P)

THOMAS K. JONES,
 DEPUTY UNDERSECRETARY OF DEFENSE;
 MELVIN R. PAISLEY,
 ASSISTANT SECRETARY OF THE NAVY;
 HERBERT A. REYNOLDS,
 OFFICE OF THE SECRETARY OF DEFENSE
 COI-DOD
 (OO: AX)

Re Alexandria teletype to Seattle, 9/7/82.

For information of the Bureau, subject Paisley is a Presidential appointee, and subjects Jones and Reynolds are political appointees of Casper Weinberger, Secretary of Defense. A special inquiry was done by the Bureau on Paisley. It is not known if any background investigation was conducted on Jones or Reynolds. Melvyn Robert Paisley was born on 10/9/24 at Portland, Oregon, and has SSAN 540-24-8645. Herbert Albert Reynolds was born on [redacted] at [redacted] and has SSAN [redacted]. Thomas K. Jones was born on [redacted] and no further information was available.

REQUEST OF THE BUREAU

The Bureau is requested to furnish Alexandria with a copy of any background investigation conducted on the three captioned subjects.

②-Bureau
 1-Alexandria
 PMS:plw

(3) 36 JAN 1983

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3 NOV 22 1982

Approved: JPD:58

Transmitted _____

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Confidential

12/1/82

Director, FBI

SAC, Alexandria (58-264)

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ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
EXCEPT WHERE SHOWN
OTHERWISE

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVIN R. PAISLEY, ~~EXC 12~~
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS.
OFFICE OF THE SECRETARY OF DEFENSE
COI-DOD
OO: ALEXANDRIA

HAWAII

ReAX airtel to the Director, 11/16/82.

Enclosed for Alexandria is one copy of an LHM captioned, "Melvin Robert Paisley," dated 9/29/81.

A review of Bufile 161-15860 captioned, "Melvyn Robert Paisley; Special Inquiry, Buded July 22, 1981," revealed a summary of the investigation was recorded in LHM format dated 9/29/81. No Special Inquiry investigations were conducted on Thomas K. Jones or Herbert A. Reynolds.

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DEC 1 1982
FBI

[Redacted]

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- Exec AD Adm. _____
- Exec AD Inv. _____
- Exec AD LES _____
- Asst. Dir.:
- Adm. Servs. _____
- Crim. Inv. _____
- Ident. _____
- Insp. _____
- Intell. _____
- Lab. _____
- Legal Coun. _____
- Off. Cong. & Public Affs. _____
- Rec. Mgnt. _____
- Tech. Servs. _____
- Training _____
- Telephone Rm. _____
- Director's Sec'y _____

Enclosure

DEC 17 1982

ENCLOSURE

MAIL ROOM

Classified and Extended by G3
Reason for Extension FCIM II, 1-2.4.2 (2&3)
Date of Review for Declassification
December 1, 2002

DEC 3 1982

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Classified by Sp-5 ci/PAF
Declassify on: OADR 10/17/82

AX0024 120320Z

RR HQ

DE AX

122.130Z JAN 83

FM ALEXANDRIA (58-264) (P)

TO DIRECTOR ROUTINE

BT

UNCLAS

THOMAS K. JONES, ET/AL; CONFLICT OF INTEREST, (OO:ALEXANDRIA)

RE ALEXANDRIA AIRTEL TO DIRECTOR DATED OCTOBER 18, 1982;
AND BUREAU TELEPHONE CALL FROM SUPERVISOR [REDACTED] TO

SA [REDACTED] DATED JANUARY 11, 1983.

FOR INFORMATION OF THE BUREAU, IN SEPTEMBER OF 1982, ALL
THREE SUBJECTS WERE INTERVIEWED. EACH INDICATED THAT THEY WERE
NOT AWARE OF THE EXACT MAKE UP OF TERMINATION PAYMENTS BUT
ASSUMED THEY WERE FOR VESTED INTERESTS IN COMPANY INVESTMENT
PROGRAMS, UNUSED SICK AND ANNUAL LEAVE AND ACCRUED SALARY. EACH
INDICATED THAT THERE WAS NO UNDERSTANDING EITHER WRITTEN OR ORAL
ABOUT RETURNING TO BOEING AFTER TERMINATION OF GOVERNMENT SERVICE.
INTERVIEWS AT BOEING IN SEATTLE, WASHINGTON, SO FAR HAVE INDICATED
THAT PROVIDING TERMINATION PAY IS AN ACCEPTABLE BUSINESS PRACTICE.

58-11035-6

16 JAN 14 1983

64 FEB 1 1983

Exec. AD-Adm.	
Exec. AD-Inv.	
Exec. AD-LES	
Asst. Dir.:	
Adm. Servs.	
Crim. Inv.	
Ident.	
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Tech. Servs.	
Training	

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[REDACTED]

INDICATED THAT [REDACTED] OF BOEING
AEROSPACE CORPORATION INITIATED THE PROCESS IN WHICH
TERMINAL PAY WAS AUTHORIZED FOR JONES AND REYNOLDS. [REDACTED]
ADVISED THAT [REDACTED] MAY HAVE INITIATED THE TERMINAL PAY FOR
PAISLEY ALSO. [REDACTED] VOLUNTARILY TURNED OVER BOEING DOCUMENTS
CONCERNING THE TERMINATION PAY. ONE DOCUMENT IS A MEMO DATED
MAY 1, 1981, FROM [REDACTED] TO [REDACTED]
OF THE BOEING COMPANY, WHICH TALKED OF THE POTENTIAL BENEFIT TO
BOEING WHEN JONES RETURNED TO BOEING WHEN HIS ASSIGNMENT IS
COMPLETED. THE MEMO GOES ON TO STATE "NEEDLESS TO SAY, HAVING
SOMEONE WITH HIS VIEWS WILL BE HELPFUL TO US WHILE HE IS IN
WASHINGTON, D.C.". ALSO INCLUDED IN THE DOCUMENTS WAS AN
UNDATED LETTER FROM REYNOLDS INDICATING THE ECONOMIC CONSIDERATIONS
IN TAKING A GOVERNMENT POSITION WHICH HE LISTS AS CLOSE TO
\$200,000 THAT HE WANTS TO BE CONSIDERED IN HIS TERMINATION PAYMENT.
IN HIS LIST HE SHOWS THE DIFFERENCE IN BOEING AND GOVERNMENT
SALARY, COST OF GOVERNMENT INSURANCE AS COMPARED TO BOEING
INSURANCE, COST OF RENTING AN APARTMENT, VIRGINIA STATE INCOME
TAX AND THE LOSS OF HIS BOEING INVESTMENT PLAN. REYNOLDS ALSO
STATES IN HIS LETTER THAT HE "WILL HAVE DIRECT PROGRAM

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PAGE THREE AX 58-264 UNCLAS

RESPONSIBILITY FOR ALL THOSE MILITARY SPACE AND INTELLIGENCE SYSTEMS WHICH ARE OF MAJOR INTEREST TO BAC". PAISLEY ALSO SUBMITTED A LIST OF THINGS HE SHOULD BE REIMBURSED FOR TOTALLING \$647,200. PAISLEY ASKED FOR LOSS IN VALUE OF RETIREMENT BENEFITS, CLOSING COSTS FOR A DISTRICT OF COLUMBIA HOME, TRANSPORTATION FOR FAMILY TO WASHINGTON, D.C., TEMPORARY HOUSING, INCREASED STATE TAXES, DIFFERENCE IN WAGES, LIFE INSURANCE, ET CETERA.

BUREAU AGENTS IN SEATTLE ARE CURRENTLY MAKING ARRANGEMENTS TO INTERVIEW [REDACTED] AND [REDACTED] OF BOEING AEROSPACE. BOEING WAS ALSO SERVED WITH A SUBPOENA TO PRODUCE DOCUMENTS ON THE TERMINATION PAY WHICH WAS RETURNABLE JANUARY 12, 1983. DOJ ATTORNEY [REDACTED] GRANTED BOEING A DELAY UNTIL JANUARY 18, 1983, AT WHICH TIME THEY WILL PROVIDE PART OF THE RECORDS, WITH FINAL DELIVERY BEING POSTPONED UNTIL FEBRUARY, EXACT DATE NOT NAMED. DEFENSE CONTRACT AUDIT AGENCY (DCAA) HAS ALSO TURNED UP INFORMATION THAT TWO MORE INDIVIDUALS, NOW GOVERNMENT EMPLOYEES, LAWRENCE H. CRANDON AND HAROLD KITSON, RECEIVED \$40,000 AND \$50,000, RESPECTIVELY, IN TERMINATION PAY FROM BOEING. DOJ ATTORNEY [REDACTED] IS CONSIDERING EXPANDING THE INVESTIGATION TO INCLUDE THESE TWO INDIVIDUALS.

BT

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Memorandum



Exec AD Adm. _____
 Exec AD Inv. _____
 Exec AD LES _____
 Asst. Dir.:
 Adm. Servs. _____
 Crim. Inv. _____
 Ident. _____
 Insp. _____
 Intell. _____
 Lab. _____
 Legal Coun. _____
 Off. Cong. & Public Affs. _____
 Rec. Mgnt. _____
 Tech. Servs. _____
 Training _____
 Telephone Rm. _____
 Director's Sec'y _____

To: [Redacted]

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b7C

Date: 1/14/83

From: [Redacted]

1 - Mr. [Redacted]
 1 - Mr. [Redacted]
 1 - Mr. [Redacted]
 1 - Mr. [Redacted]
 1 - Mr. [Redacted]
 1 - Mr. [Redacted]

Subject: THOMAS K. JONES,
 DEPUTY UNDER SECRETARY OF DEFENSE;
 MELVIN R. PAISLEY,
 ASSISTANT SECRETARY OF THE NAVY;
 HERBERT A. REYNOLDS,
 OFFICE OF THE SECRETARY OF DEFENSE;
 CONFLICT OF INTEREST - DOD
 OO: ALEXANDRIA

PURPOSE: To set forth COI allegations against captioned Government employees and summarize investigation conducted to date.

RECOMMENDATION: None, for information only.

APPROVED: [Signature]
 Director [Signature]
 Exec. AD-Adm. [Signature]
 Exec. AD-Inv. _____
 Exec. AD-LES _____
 Adm. Servs. _____
 Crim. Inv. [Signature]
 Ident. _____
 Inspection _____
 Intell. _____
 Laboratory _____
 Legal Coun. _____
 Off. of Cong. & Public Affs. _____
 Rec. Mgnt. _____
 Tech. Servs. _____
 Training _____

DETAILS: By letter dated 7/19/82, the Department of Justice (DOJ) requested an investigation by the FBI to determine if captioned Government officials are in violation of T. 18, USC, S. 209 (Salary of Government Officials and Employees Payable Only by United States). Jones, Paisley, and Reynolds were employees of Boeing Aerospace Company (Boeing), Seattle, Washington, prior to their present appointments. An audit of Boeing's records by the Defense Contract Audit Agency (DCAA) indicated the three individuals had received \$395,000 for "terminal pay." The DOD determined from Boeing's records that the payments were to reimburse the former employees for: (1) four years loss of salary because of difference between Boeing salary and Government salary (\$258,000), (2) forfeiture of company contributions into investment plans for four years (\$64,000), (3) estimated difference between Government reimbursed and actual costs to relocate to Washington, D. C. (\$19,000), and (4) estimated differential and cost of living between Seattle and Washington, D. C., for four years.

66/ [Signature] 33
 (7.)

58-11035-17 FEB 4 1983
 CONTINUED - OVER

b6
b7C

[redacted] to [redacted] Memorandum
RE: THOMAS K. JONES, ET AL

b6
b7C

On 7/30/82, representatives of the Governmental Fraud Unit, White-Collar Crimes Section, and the Public Integrity Section, DOJ, determined the best course of action would be simultaneous interviews of Boeing's Chairman of the Board and the three Government officials to determine their intent when the agreements were signed.

During September, 1982, Jones, Paisley, and Reynolds were interviewed and all indicated they were not aware of the exact make-up of termination payments, but assumed they were for vested interests in company investment programs, unused sick and annual leave, and accrued salary. They further indicated there was no understanding, either written or oral, about returning to Boeing after termination of Government employment. Interviews at Boeing in Seattle have indicated that providing termination pay is an accepted business practice.

[redacted] Boeing Corporate [redacted]
[redacted] advised that [redacted] had initiated the process in which terminal pay was authorized for Jones and Reynolds. [redacted] advised that [redacted] may have initiated the terminal pay for Paisley also. [redacted] turned over Boeing documents which contradict the explanations given by the subjects. An example was a 5/1/81, memo from [redacted] to [redacted] of Boeing, which discussed the potential benefit to Boeing when Jones returned from Government employment. Also included in the documents was an undated memo from Reynolds, outlining approximately \$200,000 which he wanted to be considered in the compilation of his terminal pay. In addition, Reynolds stated he "will have direct program responsibility for all those military space and intelligence systems which are of major interest to Boeing."

b6
b7C

Interviews are continuing at Boeing and a subpoena was issued for Boeing documents pertaining to termination pay. DOJ Attorney [redacted] granted a delay until 1/18/83, at which time Boeing has agreed to produce a portion of the records with a final delivery in February, 1983.

DCAA has developed information that two additional former Boeing employees received termination pay and are now Government employees. Investigation is continuing.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 2/9/83

TO: DIRECTOR, FBI

FROM: SAC, ALEXANDRIA (58-264)(P)

CHANGED

THOMAS K. JONES,
 DEPUTY UNDERSECRETARY OF DEFENSE;
 MELVIN ROBERT PAISLEY,
 ASSISTANT SECRETARY OF THE NAVY;
 HERBERT A. REYNOLDS,
 OFFICE OF THE SECRETARY OF DEFENSE;
 LAWRENCE H. CRANDON,
 NORTH ATLANTIC TREATY ORGANIZATION;
 HAROLD KITSON, JR.,
 DEPUTY ASSISTANT SECRETARY OF THE NAVY
 COI - DOD
 (OO: ALEXANDRIA)

Title marked "Changed" to add subjects Crandon and Kitson. Title previously carried as "Thomas K. Jones, Deputy Undersecretary of Defense; Melvin Robert Paisley, Assistant Secretary of the Navy; Herbert A. Reynolds, Office of the Secretary of Defense; COI - DOD".

Re Alexandria teletype to the Bureau dated 1/12/83; and Alexandria airtel to the Bureau dated 10/18/82.

Enclosed for the Bureau are the original and three copies of a self-explanatory LHM. One copy of instant LHM has been afforded Department of Justice Attorney H. Marshall Jarrett.

2-Bureau (Enc. 4)
 2-Alexandria
 PMS:sfk

APR 1983

FEB 15 1983

b6
 b7C

ENCLOSURE

1-CCM#DE GMD
 1-CRIM (ATP)
 1-CWIL
 1-NIS
 1-IG#
 1-3/22/83
 J.F.D./G.P.

Approved: _____

Transmitted _____

(Number)

(Time)

Per _____

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 2/16/83

TO: DIRECTOR, FBI
 (ATTENTION: LIAISON UNIT)

FROM: SAC, ALEXANDRIA (58-264)(P)

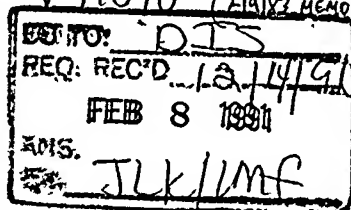
THOMAS R. JONES,
 ET AL
 COI - DOD
 (OO:ALEXANDRIA)

b6
 b7C

Re Alexandria airtel to the Bureau dated 2/9/83.

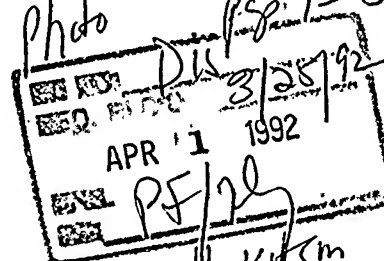
Enclosed for the Bureau are six copies of an LHM dated February 9, 1983, and six copies of an LHM dated October 18, 1982.

Enclosures are to be forwarded to Legat Paris. Due to the sensitive nature of the case, it is requested that enclosed lead be covered as soon as possible.



RE: Harold Kitson

2 enc for 3149



Re Harold Kitson

58-11035-9

Bureau (Enc. 12) ENCLOSURE
 (2- Legat Paris) - (enc. 8)
 (1- Liaison Unit)

2-Alexandria

PMS:sfk:ap - 1993
 (7) 4 MAR 1993

1*

Approved:

Transmitted

(Number)

(Time)

Per

Memorandum



Exec AD Adm. _____
 Exec AD Inv. _____
 Exec AD LES _____
 Asst. Dir.:
 Adm. Serv. _____
 Crim. Inv. _____
 Ident. _____
 Insp. _____
 Intell. _____
 Lab. _____
 Legal Coun. _____
 Off. Cong. & Public Affs. _____
 Rec. Mgnt. _____
 Tech. Servs. _____
 Training _____
 Telephone Rm. _____
 Director's Sec'y _____

To

From

Date 2/18/83

b6
b7C

1 - Mr.
1 - Mr.
1 - Mr.
1 - Mr.
1 - Mr.
1 - Mr.

Subject: THOMAS K. JONES,
 DEPUTY UNDER SECRETARY OF DEFENSE;
 MELVIN ROBERT PAISLEY,
 ASSISTANT SECRETARY OF THE NAVY;
 HERBERT A. REYNOLDS,
 OFFICE OF THE SECRETARY OF DEFENSE;
 LAWRENCE H. CRANDON,
 NORTH ATLANTIC TREATY ORGANIZATION;
 HAROLD KITSON, JR.,
 DEPUTY ASSISTANT SECRETARY OF THE NAVY;
 COI - DOD
 OO: ALEXANDRIA

PURPOSE: To advise that Boeing Aerospace Company (Boeing) has partially complied with the Federal grand jury (FGJ) subpoena and two new subjects have been identified.

RECOMMENDATION: None, for information only.

APPROVED:

Adm. Servs. _____
 Crim. Inv. _____
 Ident. _____
 Inspection _____
 Intell. _____
 Laboratory _____
 Legal Coun. _____
 Off. of Cong. & Public Affs. _____
 Rec. Mgnt. _____
 Tech. Servs. _____
 Training _____

Director _____
 Exec. AD-Adm. _____
 Exec. AD-Inv. _____
 Exec. AD-LES _____

DETAILS: As background, the Department of Justice (DOJ) requested an investigation by the FBI to determine if Jones, Paisley, and Reynolds were in violation of T. 18, USC, S. 209 (Salary of Government Officials and Employees Payable Only by the United States). An audit by the Defense Contract Audit Agency (DCAA) of Boeing's records revealed a total of \$395,000 was paid in termination pay to the three subjects and charged to overhead accounts. The three subjects were interviewed and each indicated they were not aware of the exact make-up of termination pay, but assumed it was for vested interests in the company, unused sick leave and annual leave, and accrued salary.

JFD:slh
(7)

CONTINUED - OVER

10 MAR 1 1983

[redacted] to [redacted] Memorandum
RE: THOMAS K. JONES
DEPUTY UNDER SECRETARY OF DEFENSE;
ET AL

b6
b7C

Interviews at Boeing, Seattle, Washington, resulted in documents being turned over to the FBI which were in conflict with statements given by the subjects. Boeing was served with a FGJ subpoena, returnable 1/12/83. The DOJ granted a delay until 1/18/83, at which time a portion of the documents were made available. The Alexandria Division is currently reviewing the 860 pages of documents with a final delivery scheduled for 2/28/83.

DCAA has identified severance payments for Lawrence H. Crandon (\$40,000), who left Boeing for a position with the North Atlantic Treaty Organization, Brussels, Belgium. A \$50,000 payment for Harold Kitson, Jr., was paid 7/27/82, by Boeing when he left for a position with the U. S. Government as Deputy Assistant Secretary of the Navy in the Command Control Communications and Intelligence Division. The DOJ has requested expansion of the FBI investigation to include Kitson and Crandon. Boeing officials have declined to be interviewed on advice of counsel, unless they are granted immunity.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS.

Date 3/21/83

TO: DIRECTOR, FBI
 FROM: ²⁵⁰ SAC, ALEXANDRIA (58-264) (P)
 THOMAS K. JONES,
 DEPUTY UNDERSECRETARY OF DEFENSE,
 ET AL;
 COI-DOD
 (00:AX)

Re Alexandria airtel to Bureau dated 3/11/83.

For information of the Bureau, The Boeing Company has not provided certain documents called for in a Federal Grand Jury (FGJ) subpoena returnable 1/12/83, in the Eastern District of Virginia, as they are classified documents. They were originally classified by CIA and DOD, so security clearances from DOD and CIA have to be obtained for defense attorneys, FBI agents, DOD investigators and DOJ attorneys. The Boeing Company will turn the documents over to their attorneys (once they are properly cleared) for review prior to turning them over to investigators. A meeting was held on 3/8/83, with CIA, DOD, DOJ attorneys, Defense attorneys, SA [redacted] of the Alexandria Office and DOD investigators. The CIA agreed to conduct the proper investigation to clear defense attorney [redacted]. DOD agreed to accept CIA's clearance and reciprocate with a DOD clearance. DOD agreed to conduct the necessary investigation on defense attorney [redacted]. CIA agreed to accept DOD's clearance and reciprocate with a CIA clearance. A clearance for SI/TK BYC is currently being obtained for SA [redacted] from the CIA by the Alexandria security officer. DOD has agreed to reciprocate with a DOD clearance. DOJ attorneys and DOD investigators are

2-Bureau
 2-Alexandria (58-264)
 PMS:vvd
 (4)

10 MAR 25 1983

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Approved: _____

Transmitted _____

(Number)

(Time)

Per _____

AX 58-264

b6
b7C

working out similar arrangements. Defense Attorney [] has had CIA clearances in the past so CIA estimated his clearance would be obtained by the end of March so review of the documents would be sometime after that. It is not known how voluminous these classified documents are nor do we know the subject matter.

So far Alexandria has received 3912 pages of documents from Boeing in response to the above-mentioned subpoena. Alexandria has made a cursory review of these and pulled out significant items. A detailed review will be made and a chronology prepared by 4/29/83.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 3/11/83

TO: DIRECTOR, FBI
 FROM: SAC, ALEXANDRIA (58-264)
 THOMAS K. JONES,
 DEPUTY UNDERSECRETARY OF DEFENSE;
 ET AL
 COI-DOD
 (OO:AX)

SEE REVERSE SIDE FOR

Re Alexandria airtels to Bureau dated 2/16/83, and
 2/9/83.

Enclosed for the Bureau are the original and three
 copies of a self-explanatory LHM.

For information of the Bureau, DOJ Attorney [redacted] advised that DOD General Counsel [redacted] told him that a "New York Times" reporter had requested the financial disclosure form for Jones, Paisley and Reynolds. [redacted] stated that [redacted] told him that she thought someone at DOD had leaked the information as the reporter called the day after FBIHQ had disseminated an LHM to DOD. [redacted] requested that the Alexandria Field Division personally handle dissemination of future LHM's and FBIHQ refrain from any dissemination.

One copy of instant LHM has been afforded DOJ Attorney [redacted] and the DOD Inspector General's Office.

(2) Bureau (Enc. 4)
 3-Alexandria (2-58-264)
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(5) APR 1983
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58-11035-12

MAR 17 1983

LCRM
 e.wil
 1- F.D.
 3/18/83

Approved: _____ Transmitted: _____ Per: _____
 (Number) (Time)



UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

Alexandria, Virginia

March 11, 1983

In Reply, Please Refer to
File No.

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVIN ROBERT PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
LAWRENCE H. CRANDON,
NORTH ATLANTIC TREATY ORGANIZATION;
HAROLD KITSON, JR.,
DEPUTY ASSISTANT SECRETARY OF THE NAVY
CONFLICT OF INTEREST - DEPARTMENT OF DEFENSE

Harold Kitson, Deputy Assistant Secretary of the Navy for Command Control Communications and Intelligence, advised that in the summer of 1982, he was contacted by an unrecalled individual from the Department of Defense (DOD) who asked him if he would be interested in his current position. Kitson came to Washington to explore the job possibility. When he returned to Seattle, he discussed with [redacted] what benefits he would receive if he left Boeing to accept the government position. Turner told him to submit a memo listing out the losses he would suffer. Kitson stated that he prepared a memo showing a loss of between \$150,000 and \$180,000. Kitson advised that he received \$50,000 and when he inquired as to how this amount was calculated, he was told that Boeing used a different method than he did and would not tell him how the amount was arrived at.

b6
b7C

This document contains neither
recommendations nor conclusions of
the FBI. It is the property of
the FBI and is loaned to your agency;
it and its contents are not to be
distributed outside your agency.

58 - 11035 - 12
ENCLOSURE

RE: THOMAS K. JONES;
ET AL.

leaving Boeing and going with the government. [] does not have anything to do with government contracts, but instead handles policy development for the civilian work force.

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b7C

[] of Thomas K. Jones, advised that when they left Seattle, the general plan was for them to come to Washington for four years and then return to Seattle. Both she and Jones owned houses in Seattle and they rented them out while they were gone.

On January 18, 1983, Boeing provided 873 pages of documents pursuant to a Federal Grand Jury Subpoena. On February 28, 1983, Boeing produced an additional 2319 pages of documents pursuant to the same subpoena. Boeing has additional documents to turn over, however proper clearances have to be obtained by Defense attorneys, Department of Justice attorneys, and investigative agents. Review of documents obtained has begun and a chronology will be prepared.

Special Agents of the Office of the Inspector General, Department of Defense, are reviewing Jones', Paisley's, and Reynolds' appointment calendars, telephone logs and correspondence files to determine what projects they worked on that Boeing has an interest in. Once these areas are determined, an in-depth analysis on these projects will be made.

Memorandum

~~SECRET~~

[Date 3/10/83](u)

To : Director, FBI (Attention:

From : Legat, Paris (58-19

Subject : THOMAS K. JONES, et al
COI-DOD
OO:AX(P.)
(u)

ReAXairtel, 2/16/83, captioned as above. (u)

On 3/10/83 dissemination was made of pertinent information set forth in reairtel.

to: ☐ Direction de la Surveillance du Territoire (DST), French domestic counterespionage service.

☐ Renseignements Généraux (General Investigative Section); Police Nationale (RGPN), France.

☐ Service de Documentation Extérieure et de Contre-Espionnage (SDECE), French foreign intelligence and counterespionage service.

☐ Préfecture de Police (PP), Paris, France.

☐ Belgian Sûreté de l'Etat (Security Service) (BSS).

☐ Service de Renseignements Luxembourgeois (Luxembourg Security Service)

☐ Police Judiciaire Police Nationale (PJPN), Paris, France

☐ Délégations Judiciaires Police Judiciaire (Belgian Criminal Police) (BCP)

☐ Luxembourg Gendarmerie

☒ Office of Security, NATO, Brussels, Belgium

Remarks:

1 - Bureau
2 - Paris

(1 - 66-210)(u)

RJT:tmf
(3)

[66-210-1083] (u)

~~SECRET~~

[10 MAR 23 1983](u)

[58-11035-13](u)

ALL INFORMATION ON THIS PAGE IS CLASSIFIED (S) UNLESS INDICATED OTHERWISE

Classified by sp5 c/bw
Declassify on: OADR
11-18-86

Memorandum



Exec AD Adm. _____
Exec AD Inv. _____
Exec AD LES _____
Asst. Dir.: _____
Adm. Servs. _____
Crim. Inv. _____
Ident. _____
Insp. _____
Intell. _____
Lab. _____
Legal Coun. _____
Off. Cong. & Public Affs. _____
Rec. Mgnt. _____
Tech. Servs. _____
Training _____
Telephone Rm. _____
Director's Sec'y _____

To

ABR/LW
[Redacted]

From

AK
[Redacted]

b6
b7C

Date 3/25/83

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1
1

JE7
Subject: THOMAS K. JONES,
DEPUTY UNDER SECRETARY OF DEFENSE;
MELVIN ROBERT PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
LAWRENCE H. CRANDON,
NORTH ATLANTIC TREATY ORGANIZATION;
HAROLD KITSON, JR.,
DEPUTY ASSISTANT SECRETARY OF THE NAVY;
COI - DOD
OO: ALEXANDRIA

PURPOSE: To provide a summary of the investigation conducted in this matter.

RECOMMENDATION: None, for information only.

APPROVED: Adm. Servs. _____ Laboratory _____
Crim. Inv. *0.6/4* Legal Coun. _____
Director _____
Exec. AD-Adm. _____ Ident. _____
Exec. AD-Inv. _____ Inspection _____
Exec. AD-LES _____ Intell. _____ Training _____

JFD
177
R2/S
DETAILS: As background, the Department of Justice (DOJ) requested an investigation by the FBI to determine if Jones, Paisley, and Reynolds were in violation of T. 18, USC, S. 209 (Salary of Government Officials and Employees Payable Only by the United States). An audit by the Defense Contract Audit Agency (DCAA) of Boeing's records revealed a total of \$395,000 was paid in termination pay to the three subjects and charged to overhead accounts. The three subjects were interviewed and each indicated they were not aware of the exact make-up of termination pay, but assumed it was for vested interests in the company, unused sick leave and annual leave, and accrued salary.

58-11035-14
As a result of additional DCAA audits, it was determined that Kitson and Crandon had received \$50,000 and \$40,000 respectively as termination pay. DOJ requested the investigation be expanded to include Kitson and Crandon.

AEH
AED:rim (7)

CONTINUED - OVER

[redacted] to [redacted] Memo
RE: THOMAS K. JONES,
DEPUTY UNDER SECRETARY OF DEFENSE;
ET AL

b6
b7C

Interviews at Boeing, Seattle, Washington, resulted in documents being turned over to the FBI which were in conflict with statements given by the subjects. Boeing was served with a Federal grand jury subpoena which was returnable on 1/12/83. A delay was granted and Boeing provided 860 pages of documents on 1/18/83. On 2/28/83, Boeing produced an additional 2319 pages of documents. Additional classified Boeing documents will be turned over when appropriate clearances are obtained for the defense attorneys, FBI SAs, DOD investigators, and DOJ attorneys. On 3/8/83, all concerned parties (FBI, DOD, CIA, DOJ, and defense counsels) met and worked out details to speed up the procedure for obtaining clearances. The exact nature, volume, or subject matter of the classified documents is unknown. Alexandria is in the process of conducting a complete review of the documents received to date and estimates a detailed chronology will be completed by 4/29/83.

Investigators of the Office of Inspector General, DOD, are reviewing the appointment calendars, telephone logs, and correspondence files of the subjects to determine their involvement in matters related to Boeing. At the completion of this review, an in-depth analysis of the projects with which the subjects had dealings will be undertaken.

Harold Kitson was interviewed and advised he had prepared a memo to Boeing requesting \$150-180,000 for anticipated losses for accepting employment with the Federal Government. He received a check in the amount of \$50,000 for termination pay but did not receive a breakdown of the specific areas used in computing the figure. He denied any wrongdoing and disqualified himself in September, 1982, from decisions affecting Boeing. He is currently receiving retirement pay from Boeing.

Legat, Paris advised that a request was made on 3/10/83, to the Office of Security, North Atlantic Treaty Organization, for a detailed interview of Lawrence H. Crandon in connection with the \$40,000 termination pay received from Boeing.

R 201040Z APR 83

FM PARIS (58-19)(P)

TO DIRECTOR FBI ROUTINE 312-20

BT

UNCLAS E F T O

THOMAS K. JONES, ET AL; COI-DOD; OO:ALEXANDRIA:

RE ALEXANDRIA AIRTEL FEBRUARY 16, 1983, CAPTIONED AS ABOVE.

ON MARCH 30, 1983, LAWRENCE H. CRANDON, AIR COMMAND AND CONTROL SYSTEM (ACCS), 17 RUE THERESIENNE, 1000 BRUSSELS, BELGIUM, WAS INTERVIEWED BY [REDACTED] PERSONNEL OFFICER, NATO OFFICE OF SECURITY (NOS), CONCERNING HIS PAST ASSOCIATION WITH THE BOEING AIRCRAFT COMPANY. AFTER BEING INFORMED OF HIS RIGHTS, MR. CRANDON FREELY PROVIDED THE FOLLOWING INFORMATION.

SOMETIME IN MID-1981, THROUGH THE BOEING "GRAPEVINE," CRANDON LEARNED OF THE EXISTANCE OF ACCS AND THE FACT THAT IT WOULD HAVE A U.S. CONTINGENT SOME OF WHOM WOULD BE SUB-CONTRACTED FROM PRIVATE INDUSTRY. AS A MR. HAL KITSON, CRANDON'S SUPERVISOR AT BOEING, WAS ALSO CONSIDERING JOINING ACCS, CRANDON ASKED HIM FOR MORE DETAILS. HE LEARNED THAT BOEING WOULD FORWARD THEIR APPLICATIONS TO THE ELECTRICAL INDUSTRIES ASSOCIATION (?), WASHINGTON, D.C., AN INDUSTRY LOBBYING ORGANIZATION. THE ELECTRICAL INDUSTRIES ASSOCIATION WOULD THEN PROVIDE INDUSTRY NAMES TO THE DEPARTMENT

RECEIVED
TELETYPE UNIT
20 APR 83 14 27Z
FEDERAL BUREAU
OF INVESTIGATION

Exec. AD-Adm.	
Exec. AD-Inv.	
Exec. AD-LES	
Asst. Dir.:	
Adm. Serv.	
Crim. Inv.	
Ident.	
Inspection	
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Laboratory	
Legal Coun.	
Off. of Cong. & Public Affs.	
Rec. Mgnt.	
Tech. Servs.	
Training	
Telephone Rm.	
Director's Sec'y	

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b7C

64 MAY 13 1983

Relayed to AX via 0-93
4/20/83
GP

58-11035-15

12 APR 28 1983

PAGE TWO DE PAR 0258 UNCLASSIFIED

OF DEFENSE RESEARCH AND ENGINEERING DIVISION (DDR AND E), WASHINGTON, D.C. AFTER HE HAD SUBMITTED HIS APPLICATION, CRANDON WAS CALLED FOR AN INTERVIEW IN WASHINGTON FOR A POSITION IN THE AUTOMATIC DATA PROCESSING SECTION OF ACCS. IN WASHINGTON, D.C., HE WAS INTERVIEWED BY [REDACTED] (?) OF DDR AND E. A FEW MONTHS LATER HE RECEIVED AN OFFER OF EMPLOYMENT WITH ACCS. CRANDON REFLECTED ON THIS OFFER FOR APPROXIMATELY FOUR MONTHS BEFORE FINALLY ACCEPTING IT. ALTHOUGH IT MEANT A SUBSTANTIAL REDUCTION IN HIS PAY AT BOEING, CRANDON TOOK THE JOB BECAUSE HE WANTED TO LIVE IN EUROPE AND BELIEVED THAT THIS WOULD BE HIS LAST OPPORTUNITY TO DO SO.

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b7C

UPON LEARNING HE WAS ACCEPTED FOR THE ACCS TEAM, CRANDON INFORMALLY ASKED THE HEAD OF PERSONNEL, NAME NOT RECALLED, OF THE AWACS BRANCH, BOEING AIRCRAFT SEATTLE, IF ANYTHING COULD BE DONE TO MAKE UP THE DIFFERENCE IN HIS LOST SALARY. THE HEAD OF PERSONNEL TOLD HIM THERE WAS NOTHING BOEING COULD DO IN THIS REGARD. SINCE HE WAS GOING TO WORK FOR THE DEPARTMENT OF DEFENSE, IT WOULD BE A CONFLICT OF INTEREST IF BOEING PAID HIM ANY EXTRA MONEY. CONSEQUENTLY CRANDON WAS NOT GIVEN ANY SPECIAL PAYMENT AND NO ORAL OR WRITTEN PROMISE FOR SUCH A PAYMENT WAS MADE. CRANDON SAID HE RECOGNIZED THAT ANY SPECIAL SETTLEMENT FROM BOEING WOULD BE A CONFLICT OF INTEREST WITH HIS POSITION WITHIN THE DEPARTMENT OF DEFENSE AND HAD ONLY ASKED ON THE OFF-CHANCE THAT THERE MIGHT BE SOME PROVISION.

CRANDON LEFT BOEING IN MARCH, 1982. UPON HIS DEPARTURE HE RECEIVED A CERTAIN SETTLEMENT, EXACT AMOUNT UNRECALLED, FROM THE FOLLOWING SOURCES:

- A VIP PLAN. A PLAN WHICH BOEING HAD ESTABLISHED FOR ALL OF ITS EMPLOYEES WHERE MONEY INVESTED BY THE EMPLOYEE WOULD BE MATCHED ON A TWO TO ONE RATIO BY BOEING. THE MONEY WAS THEN INVESTED IN A STOCK TRUST;
- MONEY FROM UNUSED VACATION TIME;
- APPROXIMATELY TEN SHARES OF BOEING STOCK FROM AN EMPLOYEE STOCK PURCHASE PROGRAM.

HE DID NOT RECEIVE ANY OTHER SPECIAL TERMINATION OR SUPPLEMENTARY PAY. THE SEVERANCE SETTLEMENT HE DID RECEIVE FROM BOEING WAS PAID DIRECTLY TO HIM BY CHECK. CRANDON CLAIMS THAT THIS SETTLEMENT WAS PART OF A NORMAL SEVERANCE OF THE NORMAL TERMINATION AGREEMENT PAID TO ALL BOEING EMPLOYEES AND WAS NOT FOR PAST SERVICES OR TO SUPPLEMENT HIS GOVERNMENT SALARY.

CRANDON STATED THAT HE HAD NO AGREEMENT OR UNDERSTANDING, WRITTEN OR ORAL, FORMAL OR INFORMAL, ABOUT HIS RETURN TO BOEING UPON COMPLETION OF GOVERNMENT SERVICE. HIS CONTRACT WITH ACCS IS FOR TWO YEARS WITH AN OPTION FOR A THIRD YEAR. AS OF THIS TIME, CRANDON PLANS TO STAY IN EUROPE FOR THREE YEARS AND THEN RETURN TO

PAGE FOUR DE PAR 0258 UNCLAS E F T O

PRIVATE INDUSTRY IN THE UNITED STATES. SINCE HE WAS HAPPY AT BOEING AND ENJOYED HIS JOB THERE HE PLANS TO REAPPLY FOR EMPLOYMENT WITH THEM. HOWEVER, HE ALSO IS THINKING OF APPLYING TO OTHER CORPORATIONS. INDEED HE MAY EVEN ELECT TO STAY IN EUROPE EITHER WITH NATO OR A PRIVATE FIRM IF IT SEEMS ADVANTAGEOUS AT THE TIME.

CRANDON HAS A HOUSE IN SEATTLE WHICH IS NOW RENTED. SINCE THIS HOUSE IS TOO LARGE FOR HIM AND HIS WIFE, HE ANTICIPATES KEEPING IT RENTED AND RELOCATING IN A SMALLER HOUSE OR APARTMENT, WHEREVER AND IF EVER HE WERE TO FIND FUTURE EMPLOYMENT IN THE UNITED STATES. IF HE RETURNS TO THE U.S., HE ANTICIPATES LOOKING FOR WORK ON THE WEST COAST SINCE HE HAS LIVED THERE AND WORKED IN THE FOLLOWING JOBS VIRTUALLY NONSTOP SINCE 1951:

1951 - 1953 HE WAS EMPLOYED WITH GILFILLAN BROTHERS INC.,

LOS ANGELES

1953 - 1958 HE WORKED WITH AUTONETICS DIVISION OF NORTH AMERICAN AVIATION, DOWNEY, CALIFORNIA

1959 - 1959 HE WORKED FOR LOCKHEED MISSILE AND SPACE DIVISION, SUNNYVALE, CALIFORNIA

1959 - 1971 HE WORKED WITH HUGHES AIRCRAFT COMPANY, FULLERTON, CALIFORNIA

1971 - 1972 HE WAS EMPLOYED WITH RCA CORPORATION, MOORSTOWN, NEW JERSEY

PAGE FIVE DE PAR 0258 UNCLAS E F T O

1973 - 1982 HE WORKED WITH BOEING CORPORATION IN SEATTLE, WASHINGTON

CRANDON IS CURRENTLY A MEMBER OF THE AUTOMATIC DATA PROCESSING (ADP) SECTION OF THE ACCS TEAM. THIS SECTION IS CONCERNED WITH THE DESIGN OF THE ADP SUB-SYSTEM OF ACCS. HIS SECTION CHIEF IS A

[REDACTED] GERMAN CIVILIAN. HIS CO-WORKERS ARE

[REDACTED] FRENCH, AND WING COMMANDER [REDACTED]

ROYAL AIR FMJCE. THE OTHER AMERICANS EMPLOYED AT ACCS ARE:

[REDACTED] HEAD SYSTEM SECTION

[REDACTED] HEAD CONTRACT SECTION

[REDACTED] MEMBER SYSTEM SECTION

[REDACTED] MEMBER COMMUNICATIONS SECTION

[REDACTED] MEMBER CENSORS SECTION

[REDACTED] USAF, MEMBER OPERATIONS/TECHNICAL SECTION

SINCE LEAVING BOEING, MR. CRANDON HAS BEEN IN CONTACT WITH

[REDACTED] AND [REDACTED] OF BOEING.

[REDACTED] IS BOEING'S BRUSSELS REPRESENTATIVE WHOM CRANDON MET

WHILE HE WAS IN SEATTLE. THEIR WIVES ARE MEMBERS OF THE AMERICAN

WOMEN'S CLUB IN BRUSSELS AND THEY MEET SOCIALLY FOR DINNERS AND THE

LIKE. [REDACTED] HAS NEVER ASKED ANY PROBING QUESTIONS ABOUT CRANDON'S

WORK AT ACCS AND CRANDON HAS NEVER VOLUNTEERED ANY DETAILED INFORMATION

TO [REDACTED]. CRANDON CLAIMS TO BE AWARE OF THE CONFLICT OF INTEREST

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PAGE SIX DE PAR 0258 UNCLAS E F T O

BETWEEN BOEING AND THE DEPARTMENT OF DEFENSE AND HAS NEVER GIVEN ANY SENSITIVE OR PRIVILEGED INFORMATION TO BOEING OR ANY OTHER U.S.

CONTRACTOR. IN APPROXIMATELY APRIL, 1982, HE SAW [REDACTED] A MARKETING MANAGER FROM BOEING WHO WAS PASSING THROUGH BRUSSELS ON A BUSINESS TRIP. THEY MET FOR ONE EVENING AND DISCUSSED GENERALITIES. MR. CRANDON HAS ALSO SEEN [REDACTED] THE LOCAL REPRESENTATIVE OF COMPUTER SCIENCES CORPORATION.

CRANDON COOPERATED FULLY IN THE INTERVIEW. HE SAID HE HAD NOTHING TO HIDE, DID NOT BELIEVE HE HAD COMMITTED ANY ILLEGAL ACT AND WAS PREPARED TO ANSWER ANY MORE QUESTIONS CONCERNING HIS ASSOCIATION WITH BOEING.

ADMINISTRATIVE:

FBIHQ RETRANSMIT TO ALEXANDRIA.

BT

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MESSAGE RELAY VIA TELETYPE
(RESTRICTED USE)Date: 4/20/83

PRECEDENCE:

☐ IMMEDIATE☐ PRIORITY☒ ROUTINE

FM: DIRECTOR, FBI

TO: ALEXANDRIA

☐ White House/WH/☐ Bureau of Alcohol Tobacco Firearms/BATF/☐ Central Intelligence Agency/CIA/☐ CIA DCD/DCD/☐ Dept. of Energy HQS/DOEHQ/☐ Dept. of Energy Germantown DIV/DOE/☐ Dept. of Justice/DOJ/☐ Dept. of State/DOS/☐ Dept. of the Army/DA/☐ Dept. of Treasury/DOT/☐ Defense Intelligence Agency/DIA/☐ Director National Security Agency/NSA/☐ Director Naval Investigative Service/DIRNAVINSERV/☐ Drug Enforcement Admin./DEA/☐ FAA Washington HQ/FAA/☐ HQ AFOSI Bolling AFBDC/AFOSI/☐ INSCOM Ft. Meade/INSCOM/☐ Nuclear Regulatory Commission/NRC/☐ U.S. Customs Service/UCS/☐ U.S. Immigration & Naturalization Service/INS/☐ U.S. Secret Service/USSS/☐ Other: _____

BT

Classification: UNCLAS

Addressee Internal Distribution

For: _____

Subject: _____

12 APR 23 1983

☒ See Attached

Approved By: <i>[Signature]</i>	Originator: J.F.D. / G.A.P.	Tele Ext. 5682	Room/Div.: 3149 (Six)
------------------------------------	--------------------------------	-------------------	--------------------------

1983

1914201

DO NOT FILE WITHOUT COMMUNICATIONS STAMP

USE AND PREPARATION OF FORM 0-73

Restrictions on Use

1. Only incoming teletype messages within the categories listed in MIOG Section 16-1.7 pages 1251 & 1252 may be prepared using form 0-73.
2. Use of Form 0-73 is restricted to incoming teletype messages received at FBIHQ Communications Center within the last 72 hours.
3. Addressees must be Bureau Offices (LEGAT/Field) or other Government Agencies. Geographical location must be indicated if other Government Agency is located outside the Washington, D.C. area.
4. Editing of message text is restricted to typed or printed changes of a word or two. Changes to the existing text involving more than a word or two will require the originator to initiate a new message using Form 0-93. Administrative data may be added immediately following the text and must be identical for all addressees.
5. Teletype messages received by the Communications Center that do not meet the above criteria shall be returned to the originator for preparation using Form 0-93.

Preparation of 0-73 Form (Yellow)

1. **Date & Precedence** - Type or print date and indicate precedence by checking the appropriate box.
2. **Addressee(s)** - Type or print addressee(s) immediately following the "TO:" or place a check mark in the appropriate box. Note: When using block "Other," indicate geographical location if addressee(s) is located outside Washington, D.C. If addressee(s) is a military installation, the name of the base, fort, or station must be listed to ensure delivery.
3. **Classification** - Type or print the classification and if appropriate the caveat and warning notices.
4. **Addressee Internal Distribution** - Complete when the originator wishes the message to be distributed to a known entity within a Headquarters Agency (i.e. Division, Section, Unit, etc.). List the addressee(s) abbreviation and the internal distribution, i.e. a message to Dept. of State, Dept. of Justice, and Defense Intelligence Agency; list on the "For" line(s) as follows:
Example: For: DOS For SY/TAG; DOJ for Asst. AG Criminal Div.; DIA For DSOP.
Messages which do not list internal distribution shall be delivered to the agency headquarters where their analyst will effect in-house distribution.
5. **Subject** - Type or print the subject in the space provided or check "see attached" if subject is identical to attached message.
6. **Originator's Boxes** - Type or print the originator's name, telephone extension, room number, and division.
7. **Approved By Box** - Indicate approval for transmission by initialing the approved by box. Note: The person approving the message is solely responsible for assuring all necessary editing changes are accurate and are legible.

Preparation of Message To Be Transmitted

1. **Duplicate Copy & Notations** - Xerox 1 copy of the incoming teletype message. A notation shall be made on the original incoming teletype indicating one copy made for relay to SACS _____, (or LEGATS) _____, (or Government Agencies) _____.
2. **Editing of Duplicate Copy (Heading)** - Using a lead pencil ONLY draw single lines through the first and last lines of the message heading; connect these lines from top right to bottom left forming a "Z" figure. (Do Not Obliterate the Heading)
3. **Editing Changes to the Text** - (See Restrictions on Use, item 4)
4. **Administrative Data** - Type or print administrative data immediately following the text.

AXC021 1260355Z

RR HQ

DE AX

5+R 06 2030Z MAY 83

FM ALEXANDRIA (58-264) (P)
TO DIRECTOR FBI (ROUTINE)

BT

UNCLAS

THOMAS K. JONES, DEPUTY UNDERSECRETARY OF DEFENSE; ET AL,
COI-DOD (OO:AX)

RE ALEXANDRIA AIRTEL TO BUREAU, 3/11/83.

A REVIEW OF DOCUMENTS SUPPLIED BY BOEING BEUSVANT TO A
FGJ SUBPOENA WAS COMPLETED BY BUREAU AGENTS 5/4/83. A DETAILED
CHRONOLOGY WAS PERPARED OF IMPORTANT DOCUMENTS.

INCLUDED IN THESE DOCUMENTS

AGENTS WILL THEN INTERVIEW

PROJECT MANAGERS AND OTHERS TO DETERMINE WHAT DECISIONS WERE MADE BY

12 MAY 11 1983

66 JUN 1983

88-11035-17

PAGE TWO AX 58-264 UNCLAS

SUBJECTS THAT WOULD AFFECT BOEING.

LAWRENCE H. CRANDON, AIR COMMAND AND CONTROL SYSTEM (ACCS),
BRUSSELS, BELGIUM ADVISED THAT WHEN HE ACCEPTED HIS GOVERNMENT
POSITION HE ASKED THE HEAD OF PERSONNEL IF ANYTHING COULD BE DONE
TO MAKE UP THE DIFFERENCE IN HIS LOST SALARY. HE WAS TOLD THAT
BOEING COULD DO NOTHING IN THIS REGARD (BOEING DID THIS FOR JONES,
PAISLEY AND REYNOLDS).

BT

7 MAY 26 1983

[illegible]

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ON JULY 23, 1982, PAISLEY MET WITH [REDACTED] FOLLOWING THE NAVAL RESEARCH ADVISORY COMMITTEE (NRAC) SUMMER STUDY ON NAVY THEATRE NUCLEAR FORCES. IT IS NOT KNOWN WHAT PAISLEY WAS BRIEFED ON. A MEETING WAS HELD ON JULY 29, 1982, WITH PAISLEY TO REVIEW THE ASW/SOW PROGRAM. IT IS NOT KNOWN IF ANY BOEING EMPLOYEES ATTENDED THIS MEETING.

REVIEW OF BOEING DOCUMENTS REVEALED THE FOLLOWING DOCUMENTS CONCERNING [REDACTED]:

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1) MEMO FROM [REDACTED] TO [REDACTED] DATED MAY 4, 1978. MEMO INDICATES [REDACTED] OF THE GOVERNMENT REQUESTED BOEING AND OTHER AEROSPACE FIRMS NOMINATE CANDIDATES FOR DIRECTOR OF CRUISE MISSILE PROGRAMS. [REDACTED] WAS SELECTED. RECOMMENDS \$20,000 SEVERANCE PAYMENT FOR [REDACTED]

2) MEMO FROM [REDACTED] TO [REDACTED] DATED MAY 19, 1978. INDICATES THAT [REDACTED] WILL NOT GO TO WASHINGTON, D.C., IF ONLY GIVEN \$20,000. HE NEEDS \$26,000. MEMO STATES "HOW BAD DO WE WANT [REDACTED] TO GO TO WASHINGTON?"

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3) MEMO FROM [REDACTED] TO [REDACTED] DATED MAY 22, 1978. [REDACTED] RECOMMENDS TERMINATION PAYMENT OF \$26,000 AND INDICATES [REDACTED] WILL NOT ACCEPT POSITION IF HE ONLY GETS \$20,000. MEMO GOES

PAGE THREE AX 58-264 UNCLAS

ON TO STATE THAT THEY ARE LOSING TWO BOEING MEN FROM DOD AND THAT HE BELIEVES "IT IS IMPORTANT THAT WE CONTINUE TO ASSIST THE DEPARTMENT OF DEFENSE BY HAVING SELECTED BOEING MANAGERS ASSIGNED THERE".

4) HANDWRITTEN NOTES DATED JUNE 23, 1978, WITH NOTATION

[REDACTED] MEMO STATES THAT [REDACTED] BRIEFED [REDACTED] ON "STATUS ON CRUISE MISSILE PROG. - CHANGES IN PROPOSAL GROUND RULES - SETTING UP BOEING SO ALCM LOSES TO G.D.'S TOMAHAWK. EXCHANGED VIEWPOINTS ON VALUE OF A BOEING GUY IN ZEIBERG'S HOUSE IN DDR & E".

5) MEMO FROM [REDACTED] TO [REDACTED] OFFER TO [REDACTED] HAS BEEN POSTPONED FROM JULY 1 TO SEPTEMBER 1. THIS HAS CAUSED MAJOR PROBLEMS FOR [REDACTED]. MEMO STATES [REDACTED] FEELS PUTTING A BOEING MAN INTO THE CRUISE MISSILE JOB IN DOD MAY BE A COMFORTER FOR AWARDED THE CRUISE MISSILE CONTRACT FOR TOMAHAWK".

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6) MEMO FROM [REDACTED] TO [REDACTED] DATED DECEMBER 13, 1978. INDICATES THAT IN MAY, [REDACTED] WAS GOING TO LEAVE BOEING TO BECOME THE GOVERNMENT'S DIRECTOR OF THE CRUISE MISSILE PROGRAM. A SEVERANCE PAYMENT OF \$26,000 HAD BEEN AUTHORIZED. IN JUNE, [REDACTED] STARTED TO MOVE. IN JULY, THE MOVE WAS ABORTED. THE MEMO RECOMMENDED A FINANCIAL SETTLEMENT OF \$13,000 FOR EXPENSES INCURRED

PAGE FOUR AX 58-264 UNCLAS

BY HEARD.

LEADS: SEATTLE DIVISION AT SEATTLE, WASHINGTON. WILL INTERVIEW H.N. STUVERUDE AND [REDACTED] OF BOEING AEROSPACE REGARDING THEIR DEALINGS WITH PAISLEY AND THE ASW/SOW PROGRAM. WILL DETERMINE HOW BOEING'S CONTRACT PRICE WAS RAISED FROM \$18.5 MILLION TO \$39.5 MILLION WHEN THE OVERALL FUNDING FOR THE ASW/SOW PROJECT WAS SEVERELY REDUCED.

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WILL INTERVIEW [REDACTED] REGARDING HIS APPOINTMENT AS THE GOVERNMENT'S DIRECTOR OF CRUISE MISSILE PROGRAMS. WILL DISCUSS BOEING OFFICIALS REACTION TO THIS APPOINTMENT AND THEIR ENCOURAGEMENT AND OFFERS OF SEVERANCE PAYMENT.

BT

AX0005 1452032Z

RR HQ PH

DT AX

R 251730Z MAY 83

FM ALEXANDRIA (58-264) (P)

TO DIRECTOR ROUTINE

PHILADELPHIA ROUTINE

BT

UNCLAS

THOMAS K. JONES, DEPUTY UNDERSECRETARY OF DEFENSE; MELVIN R. PAISLEY,
ASSISTANT SECRETARY OF THE NAVY; HERBERT A. REYNOLDS, OFFICE OF
THE SECRETARY OF DEFENSE; LAWRENCE H. GRANDON, NORTH ATLANTIC
TREATY ORGANIZATION; HAROLD KITSON, JR., DEPUTY ASSISTANT SECRETARY
OF THE NAVY; COI - DOD, (OO:ALEXANDRIA)

RE ALEXANDRIA TELETYPE TO BUREAU DATED MAY 6, 1983.

FOR INFORMATION OF PHILADELPHIA, SUBJECTS RECEIVED SEVERANCE
PAY FROM THEIR FORMER EMPLOYER, BOEING AEROSPACE, TOTALLING
APPROXIMATELY \$485,000 PRIOR TO TAKING THEIR CURRENT GOVERNMENT
POSITIONS. THERE IS SOME INDICATION THAT THEY INTEND TO RETURN TO
BOEING UPON COMPLETION OF GOVERNMENT SERVICE. ALEXANDRIA IS TRYING
TO DETERMINE IF ANY OF THE SUBJECTS ATTEMPTED TO UNFAIRLY ASSIST

54 AUG 11 1983

7 MAY 26 1983

Exec AD-ADM	
Exec AD-Inv	
Exec AD-LES	
Adm. Serv.	
Asst. Sec.	
Gen. Inv.	
Int. Aff.	
Legal Coun.	
Off. of Cong. & Public Affairs	
Rec. Mgmt.	
Tech. Serv.	
Training	
Off. of the Secretary	

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dc

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58-11035-19

3/12

PAGE TWO AX 58-264 UNCLAS

BOEING ON ANY GOVERNMENT PROJECTS. ONE OF THE PROGRAMS THAT SUBJECT PAISLEY WAS INVOLVED IN IS THE JVX PROGRAM WHICH IS SCHEDULED TO GO OUT FOR BIDS SOMETIME IN 1983. THE JVX IS A JOINT ARMY, NAVY AND AIR FORCE PROJECT TO REPLACE THE CH46 AND 53 HELICOPTER. BOEING VEITOL AND BELL HELICOPTER ARE PLANNING TO TEAM UP AND SUBMIT A BID ON THIS PROJECT.

JOSEPH MALLIN, PRESIDENT, BOEING VEITOL, PHILADELPHIA, PENNSYLVANIA, MET WITH PAISLEY ON FEBRUARY 16, 1982; MAY 25, 1982; JUNE 7, 1982; AND SEPTEMBER 7, 1982. J.F. ATKINS, PRESIDENT, BELL HELICOPTER, WAS PRESENT AT THE JUNE 7, 1982, MEETING. IT IS NOT KNOWN IF HE ATTENDED OTHER MEETINGS.

LEAD: PHILADELPHIA IS REQUESTED TO INTERVIEW MALLIN AND ATKINS TO DETERMINE WHO WAS PRESENT AT THESE MEETINGS, WHAT WAS DISCUSSED AND WHO SAID WHAT TO WHOM.

BT

AX00131602052Z

RR HQ PH

DE AX

R092000Z JUNE 83

FM ALEXANDRIA (58-264)

TO DIRECTOR ROUTINE

PHILADELPHIA ROUTINE

BT

UNCLAS

THOMAS K. JONES, DEPUTY UNDER-SECRETARY OF DEFENSE; ET AL; COI-DOD,

OO: AX.

RE PHILADELPHIA AIRTEL TO ALEXANDRIA JUNE 3, 1983; ALEXANDRIA
TELETYPE TO BUREAU, MAY 25, 1983; AND ALEXANDRIA TELCALL TO SA [REDACTED]

[REDACTED] JUNE 1, 1983.

AS EXPLAINED IN REFERENCED TELCALL AND TELETYPE, SUBJECT
ALLEGEDLY RECEIVED SEVERENCE PAY FROM BOEING AEROSPACE TO SUPPLEMENT
THEIR GOVERNMENT PAY WHILE COMPLETING GOVERNMENT SERVICE WHICH IS A
VIOLATION OF TITLE 18 SECTION 209 OF THE U.S. CODE. THIS PROHIBITS
ANY CONTRIBUTION TO OR SUPPLEMENTATION OF SALARY AS COMPENSATION FOR
SERVICES AS AN OFFICER OR EMPLOYEE OF THE EXECUTIVE BRANCH OF THE
UNITED STATES GOVERNMENT. TITLE 18 SECTION 208 OF THE U.S. CODE

Exec. AD-Adm. _____
Exec. AD-Inv. _____
Exec. AD-LES _____
Asst. Dir.: _____
Adm. Servs. _____
Crim. Inv. *can/emp* _____
Ident. _____
Inspection _____
Intell. _____
Laboratory _____
Legal Coun. _____
Off. of Cong. & Public Affs. _____
Rec. Mgnt. _____
Tech. Servs. _____
Training _____
Telephone Rm. _____
Director's Sec'y _____

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64 JUL 11 1983

64 JUL 11 1983

58-11035-20

JUN 20 1983

PAGE TWO AX 58-264

PROHIBITS GOVERNMENT EMPLOYEES FROM PERSONALLY AND SUBSTANTIALLY
TRANSACTIONING BUSINESS WITH COMPANIES WITH WHICH THEY HAVE A PECUNIARY
INTEREST. AN AGREEMENT FOR RE-EMPLOYMENT IS HAVING A PECUNIARY
INTEREST. THESE VIOLATIONS FALL UNDER THE CONFLICT OF INTEREST
CLASSIFICATION.

FOR THE INFORMATION OF PHILADELPHIA, ALEXANDRIA INITIATED
CAPTIONED INVESTIGATION UPON INSTRUCTIONS FROM FBIHQ, WHICH WAS BASED
UPON A REQUEST FROM D. LOVELL JENSEN, ASSISTANT ATTORNEY GENERAL,
CRIMINAL DIVISION, DEPARTMENT OF JUSTICE.

BT

AX00081702044Z

RR HQ PH SE

DE AX

R272000Z JUNE 83

FM ALEXANDRIA (58-264) (P) 77 JUN 83 20 49.2

RECEIVED
TELETYPE UNIT

FEDERAL BUREAU
OF INVESTIGATION

TO DIRECTOR ROUTINE

PHILADELPHIA ROUTINE

SEATTLE (58-315) ROUTINE

BT

UNCLAS

THOMAS K. JONES; DEPUTY UNDER-SECRETARY OF DEFENSE; ET AL;

COI-DOD; 00:AX

RE ALEXANDRIA TELETYPE TO PHILADELPHIA, MAY 25, 1983,
AND ALEXANDRIA TELETYPE TO SEATTLE, MAY 25, 1983.

FOR INFORMATION OF RECEIVING OFFICES, ALEXANDRIA CASE
AGENT IS MEETING WITH DOJ ATTORNEY [REDACTED]
JUNE 30, 1983, TO ASSIST IN PREPARATION OF FEDERAL GRAND JURY
SUBPOENAS FOR ADDITIONAL RECORDS FROM BOEING AND WITNESSES FROM
BOEING.

PHILADELPHIA AND SEATTLE ARE REQUESTED TO FURNISH SUMMARY
TELETYPE TO ALEXANDRIA WITH RESULTS OF INTERVIEWS REQUESTED

Exec. AD-Adm.	
Exec. AD-Inv.	
Exec. AD-LES	
Asst. Dir.:	
Adm. Serv.	
Crim. Inv.	
Ident.	
Inspection	
Intell.	
Laboratory	
Legal Coun.	
Off. of Cong. & Public Affs.	
Rec. Mgmt.	
Tech. Servs.	
Training	
Telephone Rm.	
Director's Sec'y	

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IN REFERENCED TELETYPES SO AN EVALUATION CAN BE MADE OF THEIR
GRAND JURY POTENTIAL.

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AX

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—

[] REQUESTED THAT HE BE ALLOWED TO LEAVE HIS MONEY IN THE VARIOUS PLANS WITH BOEING, BUT THEY REFUSED. [] STATED THAT BOEING HAD INFORMED HIM THAT IF HE WANTED TO COME BACK AFTER COMPLETION OF HIS ASSIGNMENT IN WASHINGTON, D.C., TO LET THEM KNOW AND THAT THEY WOULD MAKE EVERY EFFORT TO FIND HIM A SUITABLE JOB. THERE WERE NO GUARANTEES THAT HE WOULD BE REHIRED. [] TALKED WITH [] FROM BOEING'S PERSONNEL DEPARTMENT CONCERNING HIS TERMINATION PAY. [] ADVISED HE DID NOT REQUEST \$26,000.00 FROM BOEING IN ORDER TO GO TO WASHINGTON, D.C., NOR WAS HE EVER TOLD THAT BOEING WAS PREPARED TO OFFER HIM \$20,000.00. SPECIFICALLY IN REGARDS TO THE MEMORANDUM FROM [] TO [], REFERRED TO IN REFERENCED COMMUNICATION, [] ADVISED THAT "TOMAHAWK" IS A GENERAL DYNAMIC TRADENAME. [] STATED THAT BECAUSE HE WAS A BOEING EMPLOYEE THAT IF HE WAS APPOINTED TO THE DEPARTMENT OF DEFENSE, HE WOULD BEND OVER BACKWARDS NOT TO APPEAR BIASED IN FAVOR OF BOEING. THEREFORE, HIS STATEMENT THAT HIS APPOINTMENT TO THE DEPARTMENT OF DEFENSE WOULD BE A COMFORTER FOR AWARDDING THE CRUISE MISSILE CONTRACT FOR TOMHAWK WOULD ACTUALLY BE OF BENEFIT TO GENERAL DYNAMICS AND NOT TO BOEING. FINALLY [] ADVISED THAT BECAUSE OF HE HAD TO SELL HIS HOUSE AND

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AND TRANSPORT HOUSEHOLD GOODS AND THEN BUY ANOTHER HOUSE IN WASHINGTON, D.C., ONLY TO HAVE THE JOB OFFER WITHDRAWN AND REQUIRE HIM TO SELL THE HOUSE IN WASHINGTON, D.C., AND BUY A NEW ONE IN SEATTLE, BOEING PAID HIM \$13,000.00 FOR LOSSES INCURRED.

ON JULY 7, 1983, HOWARD M. STUVERUDE, VICE PRESIDENT, DEPARTMENTS MANAGEMENT, BOEING AEROSPACE, STATED HE COULD ONLY RECALL TWO MEETINGS WITH MELVIN PAISLEY. ONE ON APRIL 7, 1982, WHICH LASTED APPROXIMATELY TWENTY TO TWENTY-FIVE MINUTES. PRESENT AT THAT MEETING WAS ANOTHER BOEING EMPLOYEE, STUVERUDE'S ASSISTANT, [REDACTED] AT THE MEETING PAISLEY INFORMED STUVERUDE THAT THE ASW/SOW PROGRAM WAS EXPERIENCING PRIORITY PROBLEMS AND THEREFORE, FUNDING PROBLEMS. PAISLEY SAID THAT UNLESS THE PROGRAM COULD BE RESTRUCTURED AND THE FUNDING PROFILE REDUCED, THE PROGRAM WOULD BE DROPPED. PAISLEY SUGGESTED THAT IF THE BOEING COMPANY HAD ANY SUGGESTIONS TO SOLVE THIS PROBLEM, THAT THEY MAKE THEM TO THE UNITED STATES NAVY. STUVERUDE ADVISED THAT ANOTHER MEETING TOOK PLACE ON MAY 13, 1982, BETWEEN HIMSELF AND PAISLEY, AT WHICH TIME HE SHOWED PAISLEY A SYNOPSIS OF A PROGRAM DESIGNED TO RESTRUCTURE THE ASW/SOW FUNDING PROFILE.

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PAGE FOUR. SE 58-315 UNCLAS

PAISLEY SAID THAT THIS NEW PROGRAM WAS MORE IN LINE WITH THE FUNDING AVAILABLE AND THAT BOEING SHOULD TAKE THIS PROPOSAL TO [REDACTED] AND TO THE NAVY TO SEE IF THEY AGREED. [REDACTED]

ACCORDING TO STUVERUDE, IS THE DEPUTY ASSISTANT SECRETARY OF NAVY FOR RESEARCH AND ENGINEERING.

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STUVERUDE STATED THAT THE VALUE OF THE BOEING CONTRACT PRIOR TO THE MEETINGS WAS NOWHERE NEAR \$18.5 MILLION BUT CONSIDERABLY LESS, AND THAT THE VALUE AFTER THE MEETINGS WAS SOMEWHAT LESS THAN THAT, AND THEREFORE, THE \$39.5 MILLION FIGURE WAS ALSO COMPLETELY WRONG. STUVERUDE STATED THAT THE NAVY WOULD BE ABLE TO PROVIDE INFORMATION AS TO WHAT THE VALUE OF THE BOEING CONTRACT WAS PRIOR TO THE MEETINGS AND AFTER THEM.

ON JULY 7, 1983, [REDACTED] BOEING AEROSPACE, ADVISED THAT HE ATTENDED A TWO WEEK STUDY IN JULY OF 1982, AS A MEMBER OF THE NAVY RESEARCH ADVISORY COMMITTEE. AT THE CULMINATION OF THAT STUDY A PRESENTATION WAS

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#PAGE FIVE SE 58-315 UNCLAS

MADE BY MEMBERS OF THE ADVISORY COMMITTEE TO MEL PAISLEY AND
OTHER MEMBERS OF THE REVIEW COMMITTEE ON JULY 23, 1983. THE
FUNDING FOR BOEING CONTRACTS ACCORDING TO WAS NOT
AFFECTED BY THE RESULTS OF THAT MEETING.

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FD-302S TO FOLLOW.

BT

F B I

Date: 8/19/83

Transmit the following in _____
(Type in plaintext or code)

AIRTEL

Via _____
(Priority)

TO: Director, FBI

FROM: Legat, Paris (58-19) (P)

SUBJECT: THOMAS K. JONES, et al
COI-DOD
OO:AX

58-11035-17X

RePARairtel 5/24/83; and PARTel 4/20/83.

Alexandria is requested to advise if any additional investigation is needed at Paris.

5 - Bureau
(2 - Alexandria)
(1 - Liaison Unit)
1 - Paris

ROL:tmf
(6)

2 - AX Via 0-7
8/31/83
J.F.P. / G.P.

58-11035-24

23 AUG 30 1983

Approved: [Signature]
Special Agent in Charge

Sent _____ M Per _____

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 8/3/83

TO: DIRECTOR, FBI
 FROM: SAC, ALEXANDRIA (58-264) (P)

CHANGED
~~THOMAS K. JONES,~~
~~DEPUTY UNDERSECRETARY OF DEFENSE;~~
~~MELVYN ROBERT PAISLEY,~~
~~ASSISTANT SECRETARY OF THE NAVY;~~
~~HERBERT A. REYNOLDS,~~
~~OFFICE OF THE SECRETARY OF DEFENSE;~~
~~LAWRENCE H. CRANDON,~~
~~NORTH ATLANTIC TREATY ORGANIZATION;~~
~~HAROLD KITSON, JR.,~~
~~DEPUTY ASSISTANT SECRETARY OF THE NAVY;~~
 COI - DOD
 (OO:AX)

Title marked "changed" to show correct spelling of Paisley's first name, Melvyn. Title previously carried as "Thomas K. Jones, Deputy Undersecretary of Defense; Melvin Robert Paisley, Assistant Secretary of the Navy; Herbert A. Reynolds, Office of the Secretary of Defense; Lawrence H. Crandon, North Atlantic Treaty Organization; Harold Kitson, Jr., Deputy Assistant Secretary of the Navy".

Re Seattle teletype to Bureau, 7/8/83.

Enclosed for the Bureau are the original and three copies of a self-explanatory LHM. Enclosed for Seattle are two copies of instant LHM.

Alexandria will handle dissemination of LHM to DOJ Attorney [redacted] and DCIS. The Bureau is requested to refrain from any further dissemination.

②-Bureau (Enc. 4)

2-Seattle (Enc. 2)

1-Alexandria

PMS:gaj
 (5)

1*

Approved: [Signature]

Transmitted

(Number)

(Time)

Per [Signature]

AUG 10 1983

Copy of LHM provided
 Mr. Revell as status
 update 8-16-83
 FDP



UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

In Reply, Please Refer to
File No.

Alexandria, Virginia
August 3, 1983

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVYN ROBERT PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
LAWRENCE H. CRANDON,
NORTH ATLANTIC TREATY ORGANIZATION;
HAROLD KITSON, JR.,
DEPUTY ASSISTANT SECRETARY OF THE NAVY
CONFLICT OF INTEREST - DEPARTMENT OF DEFENSE

Reference is made to letterhead memoranda dated
October 18, 1982; February 9, 1983; and March 11, 1983.

Alexandria Federal Bureau of Investigation (FBI)
Agents have reviewed approximately 3912 pages of documents
provided by the Boeing Company pursuant to a Federal Grand
Jury subpoena. A chronology, 28 pages long, was prepared
for pertinent documents. Included in these documents [redacted]

Defense Criminal Investigative Service (DCIS) Agents
and FBI Agents reviewed government documents along with [redacted]

b3

This document contains neither
recommendations nor conclusions of
the FBI. It is the property of
the FBI and is loaned to your agency;
it and its contents are not to be
distributed outside your agency.

58-11035-25

ENCLOSURE

FBI/DOJ

RE: THOMAS K. JONES,
DEPUTY UNDERSECRETARY
OF DEFENSE,
ET AL



b3

FBI -

TRANSMIT VIA:

- ☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

- ☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

- ☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/21/83

TO: *550/* DIRECTOR, FBI
 FROM: *1/2/83* SAC, ALEXANDRIA (58-264)

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE
 ET AL
 COI - DOD
 (OO:AX)

Re Alexandria airtel to Bureau, 8/3/83.

Enclosed for the Bureau are the original and three copies of a self-explanatory LHM. Enclosed for Seattle are two copies of instant LHM.

Alexandria will handle dissemination of LHM to DOJ Attorney and DCIS. The Bureau is requested to refrain from any further dissemination.

b6

b7C

GRAND JURY MATERIAL - DISSEMINATE ONLY
PURSUANT TO RULE 6(c), Fed.R.Crim.P.

58-11035-26
1-3149
 2-Bureau (Enc. 4) *ENCLOSURE*
 2-Seattle (58-315) (Enc. 2)
 (Info)
 1-Alexandria
 PMS:kmp
 (5)

1*

17 OCT 25 1983

Approved: _____ Transmitted _____ (Number) _____ (Time) Per *1/2/83*

11/1
 57 NOV 25 1983



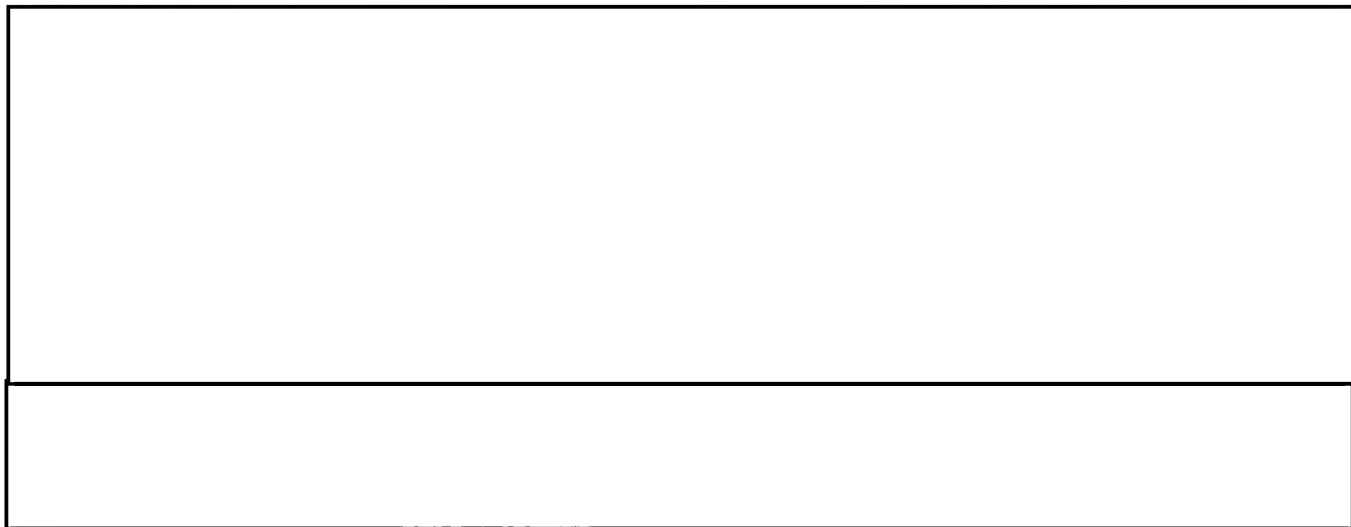
UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

In Reply, Please Refer to
File No.

Alexandria, Virginia
October 21, 1983.

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVYN ROBERT PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
LAWRENCE H. CRANDON,
NORTH ATLANTIC TREATY ORGANIZATION;
HAROLD KITSON, JR.,
DEPUTY ASSISTANT SECRETARY OF THE
NAVY;
CONFLICT OF INTEREST - DEPARTMENT
OF DEFENSE

Reference is made to letterhead memoranda dated
October 18, 1982, February 9, 1983, March 11, 1983, and
August 3, 1983.



b3

THIS DOCUMENT CONTAINS
recommendations nor conclusions of
the FBI. It is the property of
the FBI and is loaned to your agency;
it and its contents are not to be
distributed outside your agency.

GRAND JURY MATERIAL - DISSEMINATE ONLY
PURSUANT TO RULE 6(e), Fed.R.Crim.P.

58-11035-26
ENCLOSURE

RE: THOMAS K. JONES



b3

Investigation is continuing.

RECEIVED
TELETYPE UNIT

31 OCT 83 4 38Z

BUREAU
OF INVESTIGATION

Exec AD-Adm	
Exec AD-Inv	
Exec AD-LES	
Asst Dir:	
Adm Servs	
Crim Inv	
Ident	
Insp	
Intell	
Laboratory	
Legal Coun	
Off Cong & Public Affs	
Rec Mgmt	
Tech Servs	
Training	
Telephone Rm	
Director's Sec'y	

AX0001 304213Z

RR HHQ

DE AX

R 311530Z OCT 83

FM ALEXANDRIA (58A-264) (P)

TO DIRECTOR ROUTINE

BT

UNCLAS

ATTENTION: LIAISON UNIT

THOMAS K. JONES, DEPUTY UNDERSECRETARY OF DEFENSE; ET AL; COI-DOD;

(OO:AX)

RE LEGAT PARIS AIRTEL TO BUREAU, AUGUST 19, 1983.

LIAISON UNIT IS REQUESTED TO RELAY THIS TELETYPE TO LEGAT
PARIS.

DOJ ATTORNEY [REDACTED] ADVISED OCTOBER 28, 1983,

THAT [REDACTED] BOEING COUNSEL, CONTACTED HIM AND TOLD HIM THAT

LAWRENCE H. CRANDON HAD TELEPHONED HIM FROM BRUSSELS AND TOLD

HIM THAT HE HAD JUST RECEIVED HIS PAPERWORK FROM THE STATES. 12 NOV 10 1983

UPON REVIEW OF HIS PAPERWORK, CRANDON RECALLED THAT HE DID RECEIVE

TERMINATION PAY FROM BOEING AND IT DID INCLUDE A SALARY DIFFERENTIAL.

LEGAT PARIS IS REQUESTED TO RECONTACT CRANDON AND INTERVIEW

073 PAX NOV 8 1983
10/31/63228

PAGE TWO AX 58A-164 UNCLAS

HIM RE HIS LATEST RECOLLECTION AND OBTAIN ANY PAPERWORK CRANDON
IS WILLING TO TURN OVER. ALEXANDRIA ANTICIPATES CALL IN WITNESSES
FROM BOEING BEFORE A FEDERAL GRAND JURY IN ALEXANDRIA, VIRGINIA,
IN DECEMBER OF 1983.

BT

Memorandum



To : Director, FBI (

Attention:

From : Legat, Paris (58A-19

Subject : THOMAS K. JONES, ET AL
COI-DOD
OO: AX

Date 11/8/83

~~SECRET~~

✓ ReButel dated November 1, 1983. (u)

☒ On 11/8/83 dissemination was made of pertinent portions set forth in retel (u)

to: ☐ Direction de la Surveillance du Territoire (DST),
French domestic counterespionage service.

☐ Renseignements Généraux (General Investigative Section),
Police Nationale (RGPN), France.

☐ Service de Documentation Extérieure et de Contre-Espionnage
(SDECE), French foreign intelligence and counterespionage service.

☐ Préfecture de Police (PP), Paris, France.

☐ Belgian Sûreté de l'Etat (Security Service) (BSS).

☐ Service de Renseignements Luxembourgeois
(Luxembourg Security Service)

☐ Police Judiciaire Police Nationale (PJPN), Paris, France

☐ Délégations Judiciaires Police Judiciaire (Belgian
Criminal Police) (BCP)

☐ Luxembourg Gendarmerie

☒ NATO Office of Security, Brussels, Belgium

Remarks:

- 1 - Bureau
2 - Paris

(1 - 66-210)

RJT:iv

(3)

NOV 30 1983

Classified by SP5C/bca

Declassify on: OADR
11/21/86

[2] (u)

~~SECRET~~

MESSAGE RELAY VIA TELETYPE
(RESTRICTED USE)Date: 10/31/83 PRECEDENCE: ☐ IMMEDIATE ☐ PRIORITY ☒ ROUTINE

FM: DIRECTOR, FBI

TO: Legat Paris

- ☐ White House/WH/ ☐ Director National Security Agency/NSA/
- ☐ Bureau of Alcohol Tobacco Firearms/BATF/ ☐ Director Naval Investigative Service/DIRNAVINSERV/
- ☐ Central Intelligence Agency/CIA/ ☐ Drug Enforcement Admin./DEA/
- ☐ CIA DCD/DCD/ ☐ FAA Washington HQ/FAA/
- ☐ Dept. of Energy HQS/DOEHQ/ ☐ HQ AFOSI Bolling AFBDC/AFOSI/
- ☐ Dept. of Energy Germantown DIV/DOE/ ☐ INSCOM Ft. Meade/INSCOM/
- ☐ Dept. of Justice/DOJ/ ☐ Nuclear Regulatory Commission/NRC/
- ☐ Dept. of State/DOS/ ☐ U.S. Customs Service/UCS/
- ☐ Dept. of the Army/DA/ ☐ U.S. Immigration & Naturalization Service/INS/
- ☐ Dept. of Treasury/DOT/ ☐ U.S. Secret Service/USSS/
- ☐ Defense Intelligence Agency/DIA/ ☐ Other: _____

BT

Classification: Unclass efito

Addressee Internal Distribution

For: _____

Subject: _____

☒ See Attached

Approved By: <u>OBR/RHM</u>	Originator: <u>bas</u>	Tele Ext. <u>2805</u>	Room/Div.: <u>5027/6</u>
--------------------------------	---------------------------	--------------------------	-----------------------------

FEDERAL BUREAU OF INVESTIGATION
COMMUNICATIONS SECTION

NOV 1 1983

DO NOT FILE WITHOUT COMMUNICATIONS STAMP

USE AND PREPARATION OF FORM 0-73

Restrictions on Use

1. Only incoming teletype messages within the categories listed in MIOG Section 16-1.7 pages 1251 & 1252 may be prepared using form 0-73.
2. Use of Form 0-73 is restricted to incoming teletype messages received at FBIHQ Communications Center within the last 72 hours.
3. Addressees must be Bureau Offices (LEGAT/Field) or other Government Agencies. Geographical location must be indicated if other Government Agency is located outside the Washington, D.C. area.
4. Editing of message text is restricted to typed or printed changes of a word or two. Changes to the existing text involving more than a word or two will require the originator to initiate a new message using Form 0-93. Administrative data may be added immediately following the text and must be identical for all addressees.
5. Teletype messages received by the Communications Center that do not meet the above criteria shall be returned to the originator for preparation using Form 0-93.

Preparation of 0-73 Form (Yellow)

1. **Date & Precedence** - Type or print date and indicate precedence by checking the appropriate box.
2. **Addressee(s)** - Type or print addressee(s) immediately following the "TO:" or place a check mark in the appropriate box. Note: When using block "Other," indicate geographical location if addressee(s) is located outside Washington, D.C. If addressee(s) is a military installation, the name of the base, fort, or station must be listed to ensure delivery.
3. **Classification** - Type or print the classification and if appropriate the caveat and warning notices.
4. **Addressee Internal Distribution** - Complete when the originator wishes the message to be distributed to a known entity within a Headquarters Agency (i.e. Division, Section, Unit, etc.). List the addressee(s) abbreviation and the internal distribution, i.e. a message to Dept. of State, Dept. of Justice, and Defense Intelligence Agency, list on the "For" line(s) as follows:
Example: For: DOS For SY/TAG; DOJ for Asst. AG Criminal Div.; DIA For DSOP.
Messages which do not list internal distribution shall be delivered to the agency headquarters where their analyst will effect in-house distribution.
5. **Subject** - Type or print the subject in the space provided or check "see attached" if subject is identical to attached message.
6. **Originator's Boxes** - Type or print the originator's name, telephone extension, room number, and division.
7. **Approved By Box** - Indicate approval for transmission by initialing the approved by box. Note: The person approving the message is solely responsible for assuring all necessary editing changes are accurate and are legible.

Preparation of Message To Be Transmitted

1. **Duplicate Copy & Notations** - Xerox 1 copy of the incoming teletype message. A notation shall be made on the original incoming teletype indicating one copy made for relay to SACS _____, (or LEGATS) _____, (or Government Agencies) _____.
2. **Editing of Duplicate Copy (Heading)** - Using a lead pencil ONLY draw single lines through the first and last lines of the message heading; connect these lines from top right to bottom left forming a "Z" figure. (Do Not Obliterate the Heading)
3. **Editing Changes to the Text** - (See Restrictions on Use, item 4)
4. **Administrative Data** - Type or print administrative data immediately following the text.

RECEIVED
TELETYPE UNIT
NOV 03 01 44 Z
FEDERAL BUREAU
OF INVESTIGATION

10/3/73

0.1

RECEIVED
TELETYPE UNIT

31 OCT 83 22 38z

BUREAU
OF INVESTIGATION

Exec AD-Adm	
Exec AD-Inv	
Exec AD-LES	
Asst Dir:	
Adm. Servs	
Crim Inv	
Ident	
Intell	
Insp	
Lab	
Legal Coun	
Off. Cong. & Public Affs	
Rec. Mgmt	
Tech. Servs	
Training	
Telephone Rm	
Director's Sec'y	

AXO 001 304213Z

RR HHQ

DE AX

R 311530Z OCT 83

FM ALEXANDRIA (58A-264) (P)

TO DIRECTOR ROUTINE

BT

UNCLAS

ATTENTION: LIAISON UNIT

THOMAS K. JONES, DEPUTY UNDERSECRETARY OF DEFENSE; ET AL; COI-DOD;

By teletype dated 10/31/83 FBI Alexandria advised:
RE LEGAT PARIS AIRTEL TO BUREAU, AUGUST 19, 1983.

~~LIAISON UNIT IS REQUESTED TO RELAY THIS TELETYPE TO LEGAT~~

~~PARIS.~~

DOJ ATTORNEY [REDACTED] ADVISED OCTOBER 28, 1983,
THAT [REDACTED] BOEING COUNSEL, CONTACTED HIM AND TOLD HIM THAT
LAWRENCE H. CRANDON HAD TELEPHONED HIM FROM BRUSSELS AND TOLD
HIM THAT HE HAD JUST RECEIVED HIS PAPERWORK FROM THE STATES.
UPON REVIEW OF HIS PAPERWORK, CRANDON RECALLED THAT HE DID RECEIVE
TERMINATION PAY FROM BOEING AND IT DID INCLUDE A SALARY DIFFERENTIAL.
LEGAT PARIS IS REQUESTED TO RECONTACT CRANDON AND INTERVIEW

b6
b7C

2

073 PAR
10/31/83 228

~~PAGE TWO AX 58A-164 UNCLAS~~

HIM RE HIS LATEST RECOLLECTION AND OBTAIN ANY PAPERWORK CRANDON
IS WILLING TO TURN OVER. ALEXANDRIA ANTICIPATES CALLING WITNESSES
FROM BOEING BEFORE A FEDERAL GRAND JURY, IN ALEXANDRIA, VIRGINIA,
IN DECEMBER OF 1983.

BT

AXUC13 005222Z

RR HQ

DE AX

R 051820Z JAN 34

FM ALEXANDRIA (56A-264) (P)

TO DIRECTOR ROUTINE

BT

UNCLAS

THOMAS K. JONES, DEPUTY UNDER SECRETARY OF DEFENSE; ET AL; COI (CO) (AK)

RE TEL CALL OF FBIHQ SUPERVISOR [REDACTED] DECEMBER 22, 1963, TO ALEXANDRIA.

FOR INFORMATION OF THE BUREAU, ON JANUARY 4, 1964, A FEDERAL GRAND JURY, ALEXANDRIA, VIRGINIA, BEGAN HEARING TESTIMONY OF CAPTIONED INVESTIGATION. SA [REDACTED] PROVIDED AN OVERVIEW OF THE CASE AND INTRODUCED NUMEROUS DOCUMENTS. [REDACTED] OF SUBJECT MELVYN PAISLEY, AND [REDACTED] OF SUBJECT JONES, APPEARED BEFORE THE GRAND JURY AND TESTIFIED AS TO [REDACTED]

[REDACTED] TEN WITNESSES FROM SEATTLE, WASHINGTON, THAT HAD BEEN SUBPOENAED WERE EXCUSED AND AGREED TO APPEAR BEFORE A FGJ IN FEBRUARY, 1964.

(6 & 7th of Feb)

RECEIVED
FIVE UNIT
5 JAN 04 22 24z
FEDERAL BUREAU
OF INVESTIGATION

Exec AD Adm.	
Exec AD Inv.	
Exec AD Leg.	
Asst. Dir.:	
Adm. Serv.	
Crim. Inv.	
Ident.	
Insp.	
Intell.	
Laboratory	
Legal Coun.	
Off. of Cong. & Public Affs.	
Rec. Mgmt.	
Tech. Servs.	
Training	
Telephone Rm.	

b6
b7C
b3

12 JAN 9 1964

PAGE TWO A15 CA-264 UNCLAS

INFORMATION CONTAINED HEREIN SHOULD BE HANDLED PURSUANT TO
RULE 6E.

BT

F B I

Date: 1/3/84

Transmit the following in _____
(Type in plaintext or code)Via AIRTEL _____
(Priority)

TO: Director, FBI

FROM: Legat, Paris (58A-19) (P)

SUBJECT: THOMAS K. JONES, DEPUTY UNDERSECRETARY
OF DEFENSE; et al;
COI-DOD;
OO:AX

ReButel 11/1/83.

Enclosed to Alexandria is one twelve-page packet of documents furnished 11/21/83, by [redacted] to NATO Office of Security.

5 - Bureau
(2 - Aleaxndria) (Enclosure)
(1 - Liaison Unit)
1 - Paris

RJT:TMF
(6)

JAN 10 1984

64 FEB 21 1984

Approved: _____

Special Agent in Charge

Sent _____ M Per _____

AX0005 PQEQQRZ

RR HQ

DE AX

R 131838Z JAN 84

FM ALEXANDRIA (58A-264) (P)

TO DIRECTOR ROUTINE

BT

UNCLAS

ATTN: LIAISON UNIT

THOMAS K. JONES, DEPUTY UNDERSECRETARY OF DEFENSE; ET AL; C01 -
DOD (00:AX)

RE ALEXANDRIA TELETYPE TO THE BUREAU, OCTOBER 31, 1983.

LIAISON UNIT IS REQUESTED TO RELAY THIS TELETYPE TO LEGAT,
PARIS.

REFERENCED TELETYPE ADVISED THAT LAWRENCE H. CRANDON
CONTACTED BOEING COUNSEL [REDACTED] AND TOLD HIM THAT HE HAD
RECEIVED HIS PAPERWORK FROM THE STATES. UPON REVIEW OF HIS
PAPERWORK, CRANDON RECALLED THAT HIS TERMINATION PAY DID INCLUDE A
SALARY DIFFERENTIAL.

IN REFERENCED TELETYPE, LEGAT, PARIS, WAS REQUESTED TO
RECONTACT CRANDON AND INTERVIEW HIM RE HIS LATEST RECOLLECTION AND

0-73 for Relay to
LEGAT PARIS

1/16/84
JFD/GAP

RECEIVED
TELETYPE UNIT

13 JAN 84 19 29z

FEDERAL BUREAU
OF INVESTIGATION

Exec AD-Adm.	
Exec AD-Inv.	
Exec AD-LES	
Asst. Dir.:	
Adm. Servs.	
Crim. Inv.	
Ident.	
Inspection	
Intell.	
Laboratory	
Legal Coun.	
Rec. Mgmt.	
Tech. Servs.	
Training	
Off. of Cong. & Public Affs.	
Telephone Rm.	
Director's Sec'y	

80

WJ

b6
b7C

58-11035-32

23 JAN 20 1984

60

PAGE TWO AX 58A-264 UNCLAS

OBTAIN ANY PAPERWORK CRANDON WAS WILLING TO TURN OVER.

ALEXANDRIA BEGAN FEDERAL GRAND JURY PRESENTATION JANUARY 4TH AND
WILL CONTINUE FEBRUARY 6TH AND 7TH. LEGAT, PARIS, IS REQUESTED TO
PROVIDE RESULTS OF CRANDON INTERVIEW AS SOON AS AVAILABLE.

BT

O AA
A CIL
P 10-23-84

084

MESSAGE RELAY VIA TELETYPE
(RESTRICTED USE)

Date: 1/16/84 PRECEDENCE: ☐ IMMEDIATE ☐ PRIORITY ☒ ROUTINE

FM: DIRECTOR, FBI

TO: LEGAT PARIS

5-2

- | | |
|-------------------------------------------------------------------|-----------------------------------------------------------------------------|
| <input type="checkbox"/> White House/WH/ | <input type="checkbox"/> Director National Security Agency/NSA/ |
| <input type="checkbox"/> Bureau of Alcohol Tobacco Firearms/BATF/ | <input type="checkbox"/> Director Naval Investigative Service/DIRNAVINSERV/ |
| <input type="checkbox"/> Central Intelligence Agency/CIA/ | <input type="checkbox"/> Drug Enforcement Admin./DEA/ |
| <input type="checkbox"/> CIA DCD/DCD/ | <input type="checkbox"/> FAA Washington HQ/FAA/ |
| <input type="checkbox"/> Dept. of Energy HQS/DOEHQ/ | <input type="checkbox"/> HQ AFOSI Bolling AFBDC/AFOSI/ |
| <input type="checkbox"/> Dept. of Energy Germantown Div/DOE/ | <input type="checkbox"/> INSCOM Ft. Meade/INSCOM/ |
| <input type="checkbox"/> Dept. of Justice/DOJ/ | <input type="checkbox"/> Nuclear Regulatory Commission/NRC/ |
| <input type="checkbox"/> Dept. of State/DOS/ | <input type="checkbox"/> U.S. Customs Service/UCS/ |
| <input type="checkbox"/> Dept. of the Army/DA/ | <input type="checkbox"/> U.S. Immigration & Naturalization Service/INS/ |
| <input type="checkbox"/> Dept. of Treasury/DOT/ | <input type="checkbox"/> U.S. Secret Service/USSS/ |
| <input type="checkbox"/> Defense Intelligence Agency/DIA/ | <input type="checkbox"/> Other: _____ |

BT

Classification: _____

Addressee Internal Distribution

For: _____

Subject: _____

58-11035-33

JAN 20 1984

☒ See Attached

Approved By: <u>[Signature]</u>	Originator: <u>J.F.D.</u>	Tele Ext.: <u>5682</u>	Room/Div.: <u>3149 (Six)</u>
---------------------------------	---------------------------	------------------------	------------------------------

FEDERAL BUREAU OF INVESTIGATION
COMMUNICATIONS CENTER
JAN 15 1984

DO NOT FILE WITHOUT COMMUNICATIONS STAMP

JAN 23 1984

Restrictions on Use

1. Only incoming teletype messages within the categories listed in MIOG Section 16-1.7 pages 1251 & 1252 may be prepared using form 0-73.
2. Use of Form 0-73 is restricted to incoming teletype messages received at FBIHQ Communications Center within the last 72 hours.
3. Addressees must be Bureau Offices (LEGAT/Field) or other Government Agencies. Geographical location must be indicated if other Government Agency is located outside the Washington, D.C. area.
4. Editing of message text is restricted to typed or printed changes of a word or two. Changes to the existing text involving more than a word or two will require the originator to initiate a new message using Form 0-93. Administrative data may be added immediately following the text and must be identical for all addressees.
5. Teletype messages received by the Communications Center that do not meet the above criteria shall be returned to the originator for preparation using Form 0-93.

Preparation of 0-73 Form (Yellow)

1. **Date & Precedence** - Type or print date and indicate precedence by checking the appropriate box.
2. **Addressee(s)** - Type or print addressee(s) immediately following the "TO:" or place a check mark in the appropriate box. Note: When using block "Other," indicate geographical location if addressee(s) is located outside Washington, D.C. If addressee(s) is a military installation, the name of the base, fort, or station must be listed to ensure delivery.
3. **Classification** - Type or print the classification and if appropriate the caveat and warning notices.
4. **Addressee Internal Distribution** - Complete when the originator wishes the message to be distributed to a known entity within a Headquarters Agency (i.e. Division, Section, Unit, etc.). List the addressee(s) abbreviation and the internal distribution, i.e. a message to Dept. of State, Dept. of Justice, and Defense Intelligence Agency; list on the "For" line(s) as follows:
Example: For: DOS For SY/TAG; DOJ for Asst. AG Criminal Div.; DIA For DSOP.
Messages which do not list internal distribution shall be delivered to the agency headquarters where their analyst will effect in-house distribution.
5. **Subject** - Type or print the subject in the space provided or check "See attached" if subject is identical to attached message.
6. **Originator's Boxes** - Type or print the originator's name, telephone extension, room number, and division.
7. **Approved By Box** - Indicate approval for transmission by initialing the approved by box. Note: The person approving the message is solely responsible for assuring all necessary editing changes are accurate and are legible.

Preparation of Message To Be Transmitted

1. **Duplicate Copy & Notations** - Xerox 1 copy of the incoming teletype message. A notation shall be made on the original incoming teletype indicating one copy made for relay to SACS _____, (or LEGATS) _____, (or Government Agencies) _____.
2. **Editing of Duplicate Copy (Heading)** - Using a lead pencil ONLY draw single lines through the first and last lines of the message heading; connect these lines from top right to bottom left forming a "Z" figure. (Do Not Obliterate the Heading)
3. **Editing Changes to the Text** - (See Restrictions on Use, item 4)
4. **Administrative Data** - Type or print administrative data immediately following the text.

Memorandum

8

8



Exec AD Adm. _____
 Exec AD Inv. _____
 Exec AD LES _____
 Asst. Dir.:
 Adm. Servs. _____
 Crim. Inv. 02/1/84
 Ident. _____
 Insp. _____
 Intell. _____
 Lab. _____
 Legal Coun. _____
 Off. Cong. & Public Affs. _____
 Rec. Mgnt. _____
 Tech. Servs. _____
 Training _____
 Telephone Rm. _____
 Director's Sec'y _____

To

[Redacted]

Date 12/23/83

From

[Redacted]

b6
b7C

Subject: THOMAS K. JONES,
 DEPUTY UNDER SECRETARY OF DEFENSE;
 MELVIN ROBERT PAISLEY,
 ASSISTANT SECRETARY OF THE NAVY;
 HERBERT A. REYNOLDS,
 OFFICE OF THE SECRETARY OF DEFENSE;
 LAWRENCE H. CRANDON,
 NORTH ATLANTIC TREATY ORGANIZATION;
 HAROLD KITSON, JR.,
 DEPUTY ASSISTANT SECRETARY OF THE NAVY;
 COI - DOD;
 OO: ALEXANDRIA

PURPOSE: To provide an update of captioned investigation.

RECOMMENDATION: None, for information only.

APPROVED:

Director

Exec. AD-Adm.

Exec. AD-Inv.

Exec. AD-LES

Adm. Servs.

Crim. Inv.

Ident.

Inspection

Intell.

Laboratory

Legal Coun.

Off. of Cong. & Public Affs.

Rec. Mgnt.

Tech. Servs.

Training

DETAILS: As background, investigation was initiated by the Alexandria Division in August 1982, based on a request by the Department of Justice (DOJ) to determine if captioned subjects were in violation of 18 USC 209 (Salary of Government Officials and Employees Payable Only by United States). All subjects were previous employees of the Boeing Corporation (Boeing), Seattle, WA, prior to their current employment. The Defense Contract Audit Agency conducted an audit of Boeing's records which revealed substantial payments to the subjects after leaving Boeing. The thrust of the investigation originally focused on the violation cited above, which is a

JFD:sjh
 (7)

- 1 - Mr. [Redacted]
- 1 - Mr. [Redacted]
- 1 - Mr. [Redacted]
- 1 - Mr. [Redacted]
- 1 - Mr. [Redacted]
- 1 - Mr. [Redacted]

b6
b7C

58-11035-34

JAN 20 1984

CONTINUED - OVER

66 FEB 1984

[redacted] to [redacted] Memorandum
RE: THOMAS K. JONES, DEPUTY UNDER SECRETARY
OF DEFENSE; ET AL; COI-DOD; OO: ALEXANDRIA

b6
b7C

misdemeanor involving the supplementation of their salaries by Boeing. The Alexandria Division believes this charge has been substantiated. The investigation is now focusing on 18 USC 208 (Acts Affecting a Personal Financial Interest), which carries felony penalties.

Investigation to date has included a complete review of over 3,000 pages of Boeing documents subpoenaed by the Federal grand jury (FGJ), Alexandria, VA. Subpoenaes have been served on twelve mid-level Boeing employees and the wives of Jones and Paisley to appear 1/3-4/84. Both wives were employed by Boeing, but there is no indication they received termination pay. High level Boeing executives will be subpoenaed to appear before the FGJ in February 1984. Following the appearances of witnesses listed above, all subjects, except Crandon who is in Europe, will be asked to appear before the FGJ.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ X AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 3/26/84

TO:

DIRECTOR, FBI

FROM:

SAC, ALEXANDRIA (58A-264) (P)

THOMAS K. JONES
DEPUTY UNDERSECRETARY OF DEFENSE;
ETAL
 COI - DOD
 (OO: AX)

ReAXtel to Bureau, 1/13/84.

Enclosed for the Bureau are the original and four copies of a self-explanatory LHM. Enclosed for Seattle are two copies of this LHM.

Alexandria will handle dissemination of LHM to Department of Justice (DOJ) Attorney [redacted] and DCIS. The Bureau is requested to refrain from any further dissemination.

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 b7C

- 2 - Bureau (Enc. 5)
 2 - Seattle (Enc. 2) (58-315) (Info)
 1 - Alexandria

PMS:IAT
 (5)

1-3149
 4/8/84

58-11035-35

7 MAR 26 1984

b6
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Approved: [Signature]

Transmitted

(Number)

(Time)

Per [Signature]



U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No.

Alexandria, Virginia
March 26, 1984

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVYN ROBERT PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
LAWRENCE H. CRANDON,
NORTH ATLANTIC TREATY ORGANIZATION;
HAROLD KITSON, JR.,
DEPUTY ASSISTANT SECRETARY OF THE NAVY;
CONFLICT OF INTEREST - DEPARTMENT OF DEFENSE

Reference is made to letterhead memoranda dated
October 18, 1982, February 9, 1983, March 11, 1983, August
3, 1983, and October 21, 1983.

b3

This document contains neither recommendations nor
conclusions of the FBI. It is the property of the FBI and
is loaned to your agency; it and its contents are not to
be disseminated outside your agency.

GRAND JURY MATERIAL - DISSEMINATE ONLY
PURSUANT TO RULE 6(e) Fed.R.Crim.P.

58-11035-3
ENCLOSURE

THOMAS K. JONES
DEPUTY UNDERSECRETARY OF DEFENSE;
ETAL



b3

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 7/26/84

TO: DIRECTOR, FBI
 FROM: SAC, ALEXANDRIA (58A-264) (P)

THOMAS K. JONES
 DEPUTY UNDERSECRETARY OF DEFENSE;
 ET AL
 COI - DOD
 (OO:ALEXANDRIA)

Re Alexandria airtel to the Bureau dated 3/26/84.

Enclosed for the Bureau are the original and four copies of a self-explanatory LHM. Enclosed for Seattle are two copies of this LHM.

For information of the Bureau, source referenced in enclosed LHM is [redacted] who requested his identity be protected.

Alexandria will handle dissemination of LHM to DOJ Attorney [redacted] and DCIS. The Bureau is requested to refrain from any further dissemination.

b6
 b7C

1-3149
 2-Bureau (Encs. 5)
 2-Seattle (58-315) (Encs. 2)
 2-Alexandria
 PMS:lmc
 (6)

ENCLOSURE

1*

Approved: JTA

Transmitted

(Number)

(Time)

Per

13 OCT 03 1984



UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

Alexandria, Virginia

July 26, 1984

In Reply, Please Refer to
File No.

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVYN ROBERT PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
LAWRENCE H. CRANDON,
NORTH ATLANTIC TREATY ORGANIZATION;
HAROLD KITSON, JR.
DEPUTY ASSISTANT SECRETARY OF THE NAVY;
CONFLICT OF INTEREST - DEPARTMENT OF DEFENSE

UPA

Reference is made to letterhead memoranda dated October 18, 1982, February 9, 1983, March 11, 1983, August 3, 1983, October 21, 1983, and March 26, 1984.

On April 2, 1984, four BOEING employees, after being given formal immunity, appeared before the Federal Grand Jury in Alexandria, Virginia, and testified regarding their knowledge of termination payments made to former BOEING employees.

On May 23, 1984, HERBERT K. HEBELER, President of BOEING AEROSPACE, was interviewed by Bureau agents and Department of Justice Attorneys in Washington, D.C. HEBELER advised he felt THOMAS K. JONES would help BOEING while he was in Washington, D.C., as JONES was an advocate of ground basing of the MX missile. Until JONES got in his position, the Department of Defense was considering scrapping the ground basing part of the triad. HEBELER stated that BOEING is a contractor on the ground basing portion of the MX missile.

On May 31, 1984, MARK K. MILLER, Vice President of BOEING AEROSPACE was interviewed by Bureau agents. MILLER advised that HERB REYNOLDS had made a recent inquiry about returning to BOEING. MILLER refused to rehire REYNOLDS as there were no positions available he could fill, and in light of the Department of Justice investigation he did not feel it was proper.

This document contains neither
recommendations nor conclusions of
the FBI. It is the property of
the FBI and is loaned to your agency;
it and its contents are not to be
distributed outside your agency.

58-11035-36
ENCLOSURE

THOMAS K. JONES

On May 31, 1984, [] Industrial Relations Supervisor, BOEING AEROSPACE advised that the termination payments made to above captioned individuals were calculated in his department by [] and [].

[] recalled a meeting he had with HERB REYNOLDS where he explained to REYNOLDS how his payment was calculated and why it was lower than the others.

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On April 20, 1984, a confidential source advised that MELVYN PAISLEY, while still employed at BOEING AEROSPACE COMPANY, bragged to numerous individuals about bribing military assistant group officers, names unknown, in order to obtain government contracts. Source advised that [] - SHIPBUILDING, TRANSPORTATION CONCEPTS AND TECHNIQUES INCORPORATED, 551 Fifth Avenue, New York, New York, may be the individual contacted by PAISLEY and through whom the money was laundered. The source speculated that the BOEING contract involved was AWAC's.

On May 16, 1984, the source stated that in about 1979, the BOEING COMPANY was forced by the Securities and Exchange Commission (SEC) to set up three outside directors to oversee an investigation of alleged bribery involved in BOEING's foreign sales of aircraft. San Francisco Attorney [] headed up the committee.

On June 27, 1984, [] advised that his report of the allegations was turned over to Department of Justice (DOJ) Attorneys [] and [].

[] DOJ Attorney [] advised that he was involved in an investigation of foreign airplane sales made by BOEING COMMERCIAL AIRPLANE COMPANY. The investigation involved thirty-six sales to forty countries over a period of eight years. The sales all took place prior to the passage of the Foreign Corrupt Practices Act. FAYAD stated that on June 30, 1982, BOEING pled guilty to forty counts violation of Title 18, Section 1001, and paid a \$400,000 fine plus \$50,000 in costs before United States District Court Judge JOHN PRATT. [] advised that the names MELVYN PAISLEY, THOMAS K. JONES and HERBERT REYNOLDS never came up in their investigation nor was he aware of SHIPBUILDING, TRANSPORTATION CONCEPTS AND TECHNIQUES INCORPORATED or []. [] stated that following BOEING's plea, SEC filed a consent decree before JUDGE PRATT. United States Customs agent [] the investigating agent on the above investigation, advised that he was not familiar with the names PAISLEY, REYNOLDS, JONES or [].

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THOMAS K. JONES

Department of Justice (DOJ) Attorney [redacted]
[redacted] advised that no further investigation need be conducted on the sources information as it appeared as if DOJ had already investigated and prosecuted BOEING's irregularities involving the sale of aircraft to foreign countries. DOJ will continue its investigation into possible conflict of interest violations on the part of the above captioned individuals.

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ST MF
AIRTEL

UNCLAS

8/31/84

Director, FBI (58-11035)

SAC, Alexandria (58-264)

THOMAS K. JONES
DEPUTY UNDERSECRETARY OF DEFENSE
ET AL
CONFLICT OF INTEREST-DOD
OO: ALEXANDRIA

ReButel to ASAC Steven L. Pomerantz
Alexandria Division, 8/30/84.

On 8/29/84, this matter was discussed by
SSA [redacted] Governmental Fraud Unit,
FBIHQ, with Departmental Attorney [redacted]
of the Public Integrity Section. [redacted] advised
after taking all the evidence into consideration
the Department of Justice (DOJ) had decided to decline
prosecution. DOJ based its decision on the following
reasons:

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1. Payments were not received while subjects
were government employees.

2. Payments were for past services and not for
services to be rendered in the future.

3. Boeing brought these payments to the attention
of their lawyers prior to making them and were advised
they were legal.

4. Title 18, USC, Section 209 (Salary of
Government Officials and Employees Payable only by
United States) is a misdemeanor and would have venue in
the Western District of Washington, Seattle, Washington.

MAILED 16
AUG 31 1984
FBI

Exec AD Adm. _____
Exec AD Inv. _____
Exec AD LES _____
Asst. Dir.:
Adm. Servs. _____
Crim. Inv. _____
Ident. _____
Insp. _____
Intell. _____
Lab. _____
Legal Coun. _____
Off. Cong. &
Public Affs. _____
Rec. Mgnt. _____
Tech. Servs. _____
Training _____
Telephone Rm. _____
Director's Sec'y _____

1 - Mr. [redacted]
1 - Mr. [redacted]
TJK:fm (5)

b6
b7C

58-11035-37

13 OCT 19 1984

MAIL ROOM [initials]

10 SEP 5 1984

Bureau Airtel to SAC, Alexandria
RE: THOMAS K. JONES

5. No successful cases in United States history
have been prosecuted utilizing this statute.

[redacted] advised that the decision not to
prosecute this matter has not yet been made public.

LEAD

Alexandria Division at Alexandria, Virginia

Contact DOJ Attorney [redacted]
regarding this matter.

b6
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F B I

Date: 8/16/84

Transmit the following in _____
(Type in plaintext or code)Via AIRTEL _____
(Priority)

TO: Director, FBI

FROM: Legat, Paris (58A-19) (RUC)

SUBJECT: THOMAS K. JONES, DEPUTY UNDERSECRETARY
OF DEFENSE; Et Al
COI - DOD
(OO:AX)

RePARairtel, 1/3/84.

As no further investigation remains at Paris,
Legat, Paris, considers this matter RUC.

② - Bureau
(1 - Foreign Liaison Unit)
(2 - Alexandria)
1 - Paris

RJT:sch
(6)

1-3149

58 - 11035-38

KMP

2-(AX copie) Sent via 0-7
8/30/84
LLP/GAP

2 AUG 28 1984

13 OCT 18 1984

Approved: RJT/mr
Special Agent in Charge

Sent _____ M Per _____

AX0001 116161HZ

RR HQ SE

DE AX

R 0061515Z SEP 84

FM ALEXANDRIA (58A-264) (P)

TO DIRECTOR ROUTINE

SEATTLE ROUTINE

BT

UNCLAS

THOMAS K. JONES, DEPUTY UNDERSECRETARY OF DEFENSE; ET AL; COI -

DOD (OO:AX)

RE ALEXANDRIA AIRTEL TO THE BUREAU, JULY 26, 1984; AND TELCALL
OF FBIHQ SUPV. [REDACTED] TO SA [REDACTED]

ON SEPTEMBER 5, 1984, DEPARTMENT OF JUSTICE (DOJ) ATTORNEY
[REDACTED] ADVISED THAT HE, HIS SUPERVISORS AND [REDACTED]
[REDACTED] HEAD OF DOJ CRIMINAL DIVISION, HAVE REVIEWED THE COMPLETE
INVESTIGATION OF THE FORMER BOEING EMPLOYEES INVOLVED IN CAPTIONED
CONFLICT OF INTEREST INVESTIGATION. [REDACTED] STATED THAT THEY WOULD
DECLINE PROSECUTION IN THIS MATTER BASED ON THE FOLLOWING REASONS:

1.) BOEING ATTORNEYS ADVISED THAT THE FORMER BOEING EMPLOYEES
RECEIVED THEIR SEVERANCE PAY WHILE STILL AT BOEING. IN ORDER TO

58-11035-31 SEP 20 1984

53 NOV 26 1984

Exec. AD-Adm.	
Exec. AD-Inv.	
Exec. AS-LES	
Asst. Dir.:	
Adm. Serv.	
Crim. Inv.	
Ident.	
Inspection	
Intell.	
Laboratory	
Legal Coun.	
Off. of Cong. & Public Affs.	
Rec. Mgmt.	
Tech. Servs.	
Training	
Telephone Rm.	
Director's Sec'y	

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VIOLATE TITLE 18, SECTION 209, BOEING CONTENDS THAT THE EMPLOYEES MUST BE ON THE GOVERNMENT PAYROLL WHEN THEY RECEIVE PAYMENT. DOJ DISAGREES, BUT SINCE NO CASES HAVE BEEN TRIED ON THIS VIOLATION THERE IS NO LEGAL PRECEDENT.

2.) BOEING ATTORNEYS CONTEND THAT THEY CONSULTED WITH THEIR LAWYERS TO ENSURE THE PAYMENTS WERE LEGAL AND WERE ADVISED THAT THEY WERE. DOJ FEELS THAT CRIMINAL INTENT IS NOT A NECESSARY PART OF THE VIOLATION; HOWEVER, AGAIN, THERE IS NO LEGAL PRECEDENT.

3.) VENUE WOULD LIE IN SEATTLE, WHERE THE BIGGEST EMPLOYER IS THE BOEING COMPANY (JURY NULLIFICATION).

4.) BOEING PLANNED TO USE A PATRIOTISM DEFENSE, I.E., THEY WERE ONLY TRYING TO HELP THE GOVERNMENT GET THE MOST QUALIFIED INDIVIDUALS FOR THE POSITIONS.

5.) THE GOVERNMENT'S CASE CONSISTS MAINLY OF DOCUMENTS WHICH LACKS JURY APPEAL. BOEING WITNESSES WOULD BE HIGH CALIBER INDIVIDUALS.

6.) VIOLATION OF TITLE 18, SECTION 209, IS A MISDEMEANOR, MAXIMUM FINE TO BOEING OF \$5,000.

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b7C [REDACTED] FURTHER ADVISED THAT BOEING ATTORNEYS SUBMITTED A PAPER 100 PLUS PAGES GIVING REASONS WHY BOEING SHOULD NOT BE INDICTED. IN THIS BOEING INDICATED THAT IN THE EARLY 1970'S THEY SENT A LETTER

PAGE THREE AX 58A-264 UNCLAS

TO DOD GENERAL COUNSEL EXPLAINING HOW THEY WOULD CALCULATE SEVERANCE PAYMENT. DOD DID NOT INDICATE AT THAT TIME THAT THEIR CALCULATION WAS ILLEGAL. BOEING AGREED THAT THEY WOULD CHANGE THEIR CURRENT POLICIES TO CONFORM TO U.S. GOVERNMENT GUIDELINES. [REDACTED] STATED THAT HE WOULD SEND THE BUREAU AN OFFICIAL DECLINATION LETTER EXPANDING ON THESE REASONS AND ADVISING HOW DOCUMENTS SHOULD BE RETURNED. CONTACT WITH DCIS INDICATED INITIALLY THAT THEY WERE GOING TO PROTEST THE DECLINATION. DCIS ADVISED SEPTEMBER 5, 1984, THAT DOD HAD RECONSIDERED AND WERE NO LONGER GOING TO PROTEST.

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ALEXANDRIA IS IN THE PROCESS OF PREPARING A DETAILED LHM FOR CONSIDERATION BY FBIHQ AS WELL AS THE DEPARTMENT SUMMARIZING THIS OFFICE'S VIEW OF THE EVIDENCE IN THIS CASE AND SETTING FORTH OUR RESPONSES TO THE PROSECUTIVE OBJECTIONS ENUMERATED BY THE DEPARTMENT.

BT

CRIMINAL INVESTIGATIVE DIVISION

INFORMATIVE NOTE

Date 9/7/84

THOMAS K. JONES, DEPUTY UNDERSECRETARY OF
Re: DEFENSE; ET AL; COI-DOD; OO: ALEXANDRIA

As background, investigation was initiated by the Alexandria Division in August 1982, based on a request by the DOJ to determine if captioned subjects were in violation of 18 USC 209 (Salary of Government Officials and Employees Payable Only by U. S.). All subjects were previous employees of the Boeing Corporation (Boeing), Seattle, WA, prior to their current employment. The Defense Contract Audit Agency conducted an audit of Boeing's records which revealed substantial payments to the subjects after leaving Boeing. The thrust of the investigation originally focused on the violation cited above, which is a misdemeanor.

Attached Alexandria teletype advises the DOJ has declined prosecution in this matter. DOJ cites six reasons for the declination. Final decision at DOJ was made by AAG Criminal Division.

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Boeing has agreed to change their current policies on severance pay to conform with U. S. Government guidelines.

DOJ is sending an official declination letter to the Bureau.

Defense Criminal Investigative Service has been advised. Alexandria Division is preparing a detailed LHM summarizing the evidence in response to the DOJ declination.

TJK:sjh (7)

APPROVED:

Director xec. AD-Adm. xec. AD-Inv. xec. AD-LES Adm. Servs. Crim. Inv. Laboratory Legal Coun. Off. of Cong. & Public Affs. Rec. Mgnt. Tech. Servs. Training

- 1 - Mr.
- 1 - Mr.
- 1 - Mr.
- 1 - Mr.
- 1 - Mr.
- 1 - Mr.

b6

b7C

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/12/84

TO: DIRECTOR, FBI

FROM: SAC, ALEXANDRIA (58A-264) (P)

THOMAS K. JONES,
 DEPUTY UNDERSECRETARY OF DEFENSE,
 ET AL
 COI - DOD
 (OO: AX)

Re Bureau airtel to Alexandria, 8/31/84; and
 Alexandria teletype to Bureau, 9/6/84.

Enclosed for the Bureau are two copies of a letter
 dated 9/28/84, addressed to SA [redacted] from [redacted]
 [redacted] Public Integrity Section, DEPARTMENT OF
 JUSTICE.

b6
b7CPURPOSE:

The purpose of this airtel is to request that FBIHQ
 consider the preparation of a communication to the DEPARTMENT
 OF JUSTICE requesting reconsideration of the declination
 of prosecution in captioned matter.

Referenced FBIHQ airtel set forth five reasons
 given by the Department for their declination of prosecution
 in this case. Alexandria notes that Reasons 3, 4 and 5 do
 not involve evidentiary or statutory issues. SAC, Alexandria
 believes that while these items are pertinent to the prosecution
 of the case, they are not overriding, central or pivotal
 matters which should dictate a prosecutive decision.

2-Bureau (Enc 2) ENCLOSURE
 2-Alexandria
 SLP:kar
 (4)

23

Approved: [Signature]

Transmitted

(Number)

(Time)

Per

FEB 27 1985

AX 58A-264

Item #1 in referenced Bureau airtel states that "payments were not received while subjects were government employees." A review of Title 18, U. S. Code, Section 209, reveals that the statute makes no mention of when the supplementation payments are received - it simply prohibits this conduct. In the enclosed letter to SA [redacted] acknowledges that to argue that supplementation payments made prior to commencement of government service are not prohibited by the statute is "legally incorrect."

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b7C

Item #2 states that "payments were for past services and not the services to be rendered in the future." A review of the results of the investigation in this case raises a serious challenge to the credibility of this statement.

Investigation revealed that the termination pay agreements with JONES, PAISLEY, REYNOLDS, CRANDON and KITSON were based on four factors: salary differential, loss of company contribution to pension plans, relocation costs, and high cost area supplement, all of which have the effect of compensating the employee for the financial losses experienced in accepting government employment. The evidence showed that BOEING did not make such payments to all employees who went into the government, but only to those employees who enter government employment at a salary lower than their BOEING salary. The evidence further shows that "if and when" these employees return to BOEING, benefits are restored to them as though they never left BOEING. All of the above indicates a supplementation of salary which is a violation of Title 18, Section 209, U. S. Code, a misdemeanor. JONES, PAISLEY and REYNOLDS each made a submission to BOEING requesting a termination payment. Each asked that they receive the difference between their government salary and their BOEING salary for four years.

The following documents were received from BOEING which indicate BOEING wanted these individuals in strategic positions in the government and based their decision on severance pay, at least to some degree, on the value of the position to BOEING.

1) A memo from the president of BOEING AEROSPACE to a vice-president of the BOEING COMPANY.

"The other side of the coin, however, is the potential benefit to Boeing of having T.K. return when this assignment is completed. The experience he will gain can only be of great use and worth to us ... Needless to say, having someone with his views will be helpful to use while he is in Washington, D. C."

AX 58-264

2). A handwritten note from the president of BOEING AEROSPACE to a vice-president of the BOEING COMPANY regarding REYNOLDS' termination payment.

"Reynolds will hold a key job. Therefore I recommend we do something."

3) REYNOLDS' submission to BOEING asking for a termination payment. One of the statements REYNOLDS makes is:

"The office to which I will be assigned will have direct program responsibility for all those military space and intelligence systems which are of major interest to BAC."

4) A handwritten note indicating that the author discussed CRANDON with the president of BOEING AEROSPACE.

"He would support a request for consideration of benefits if Mark feels strongly that assignment would benefit BAC."

5) A memo from the president of BOEING AEROSPACE to a vice-president of the BOEING COMPANY.

"The attached recommendation is being forwarded for your review and concurrence. Mr. Crandon will surely be an asset to Boeing in the NATO arena."

6) A memo from KITSON to a vice-president of BOEING AEROSPACE asking for a termination payment.

"Thus this tour of duty with DOD would be of mutual benefit to the government and to Boeing upon my return."

7) Handwritten notes regarding KITSON's termination payment.

"Hal's job with DOD is viewed as bigger than Crandons - & has greater influence relative to BAC."

AX 58-264

In summary, the above material prepared by various BOEING employees supports a contingent that the payments were based, at least in part, on future anticipated benefits to be accrued by BOEING.

In the enclosed letter to SA [redacted] enlarges upon the reasons given to FBIHQ for his declination as set forth in referenced Bureau airtel. He also sets forth some additional facts which he states were considered: appeal of patriotism defense; absence of actual corruption; and nature of proof. Alexandria notes the absence of corruption; if corruption had been uncovered, charges other than Title 18, U. S. Code, Section 209, would have been applied. As [redacted] notes in his letter, "actual corruption or harm is not a required element of a Section 209 offense." Our response to the patriotism defense and "nature of proof" issue is similar to that stated above in reference to Items 3, 4, and 5 in referenced Bureau airtel - while these issues may be pertinent to trial strategies, they are not issues on which to base a prosecutive decision. [redacted] seems to be saying that BOEING has a defense case to present. We fully recognize that BOEING will defend itself against the charges; however, the recognition of some defense contentions does not negate accumulated government evidence to the extent that a declination of prosecution is warranted.

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[redacted] concludes his letter by noting that the statute involved is a misdemeanor. The FBI, as well as the DEPARTMENT OF JUSTICE, recognized that Title 18, Section 209, was a misdemeanor at the outset of this investigation. Armed with this knowledge, the Department nevertheless requested an FBI investigation and pursued the matter through the Federal Grand Jury. To now utilize this argument in favor of a declination appears to be, at the very least, inconsistent.

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[redacted] speculates as to whether it is worthwhile to prosecute BOEING under circumstances where the only charge is one misdemeanor, which he concludes is likely to be lost. It is this office's opinion that the Justice Department's failure to prosecute BOEING, a major Defense contractor, based on the evidence accumulated in this investigation, could well have more serious consequences than losing the case after a trial.

AX 58A-264

SAC COMMENTS:

SAC, Alexandria considers the separation of investigator/prosecutor roles a major strength of the Federal government's structure and consequently I am somewhat reluctant, as an investigator, to question the prosecutor's decision.

However, in view of the sensitivity of Defense Department contractor cases I feel that the inconsistencies listed herein should be brought to the Department's attention and that a de novo prosecutive review be conducted.

Once the information has been provided to the Department, I feel that the FBI will have completed its investigative role and the Department will be better able to carry out its prosecutive responsibilities and the decisions attached thereto.



U.S. Department of Justice

HMJ:JNL:ab
186-16-595

Washington, D.C. 20530

SEP 28 1984

[Redacted]
Special Agent
Federal Bureau of Investigation
300 N. Lee Street
Room 500
Alexandria, Virginia 22314

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b7C

b3

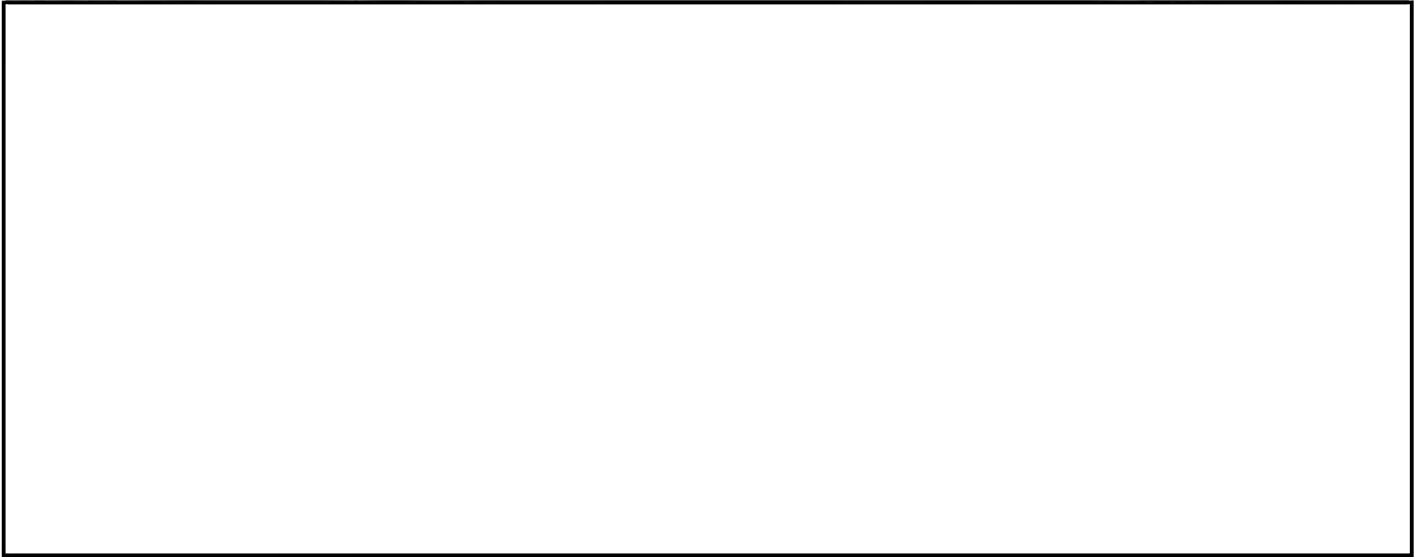
Dear [Redacted]:



58-11035-478
ENCLOSURE

GRAND JURY INFORMATION:
DISCLOSURE RESTRICTED BY
RULE 6(e), F.R.Cr.P.

54



b3

If you have any questions about this case please call me at



Sincerely,



Trial Attorney
Public Integrity Section
Criminal Division

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 1/3/85

TO: DIRECTOR, FBI

FROM: SAC, ALEXANDRIA (58A-264) (P)

ay
 THOMAS K. JONES,
 DEPUTY UNDERSECRETARY OF DEFENSE,
 ET AL
 COI-DOD
 (OO:AX)

Re AXairtel to Bureau, 10/12/84; and AXtelcall
 to FBIHQ Supervisor [redacted] 11/27/84.

For information of FBIHQ, DOJ Attorney [redacted]
 [redacted] advised that attorneys for Boeing have indicated
 that in 1972, Boeing sent a letter to the Department of
 Defense advising them of their policy of termination pay
 with an explanation of how it was calculated. [redacted] stated that the Department of Defense did not reply to
 this letter which could be construed as acceptance of their
 policy. [redacted] advised that this was another reason why
 he would decline prosecution in this matter as this would
 adversely affect the government's case.

This information was given to FBIHQ Supervisor
 [redacted] in referenced telcall.

2-Bureau
 2-Alexandria
 PMS:gaj
 (4)

JAN 8 1985

1*

Approved: [signature]

Transmitted

(Number)

(Time)

Per

117 FEB 25 1986

Memorandum



To : SAC, Alexandria (58A-264)

Date February 5, 1985

From : *WJ* Director, FBI (58-11035)

Subject :

Y J
[Redacted]
NATIONAL AGENCY CHECK CENTER (NACC)
NAME CHECK REQUEST
BUDED: MARCH 5, 1985

b6
b7C

Reynolds, Herbert A.
Attached is a name check request from NACC.

per index
[Redacted] is one of the subjects of your case captioned "THOMAS K. JONES, Deputy Undersecretary of Defense; Et Al; COI-DOD."

We are authorized to conduct name checks for Federal executive branch agencies under MAOP, Part 2, Section 9,9-2.4. As this investigation is pending, please contact the U.S. Attorney for dissemination guidance from a prosecutive standpoint on the subject.

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b7C

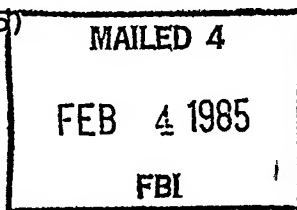
Promptly submit the results of this contact, and by enclosed letterhead memorandum suitable for dissemination, the information authorized, marked to the attention of [Redacted] Executive Agencies Unit, Room 5224, FBIHQ.

Enclosure

1 - [Redacted]
Attention: [Redacted]
1 - [Redacted]

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SLC:blt (5)



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58-11035-41

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Exec. AD-Inv.	
Exec. AD-LES	
Asst. Dir.:	
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Crim. Inv.	
Ident.	
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☐ Special File Room, 5991, TL# 122☐ Forward to File Review, 5117, TL# 112☐ Attention _____☐ Return to _____

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